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Bahrain	Din[illegible]	Israel	Shk[illegible]	Philippines	Peso[illegible]
Belgium	BFr[illegible]	Italy	L2200	Poland	Zl 15,000
Cyprus	C£[illegible]	Jordan	JD[illegible]	Portugal	Esc175
Denmark	DKr13	Korea	Won [illegible]	Qatar	QR10.00
Egypt	E£[illegible]	Kuwait	Fils[illegible]	S.Arabia	SR[illegible]
Finland	FM[illegible]	Lebanon	L£1,000	Singapore	S$[illegible]
France	FFr[illegible]	Lux	LFr[illegible]	Spain	Pta175
Germany	DM[illegible]	Malta	45 cents	Sweden	SKr13
Greece	Dr[illegible]	Morocco	MDh[illegible]	Switz	SFr2.70
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EUROPE

Six-page survey on where to invest

Page Section III

World News

Breakthrough expected in Hong Kong airport battle

A breakthrough in the long-running battle between China and Hong Kong over the colony's HK$100bn ($13bn) airport project seems imminent after several days of high-level talks in Peking between Chinese and UK representatives. Page 12

Irish initiative collapses
The latest initiative to end decades of killing in Northern Ireland collapsed after 10 weeks of inconclusive wrangling. Page 6

Refugee camps shelled
At least 42 people were killed when Lebanese troops shelled Palestinian guerrillas cornered in two packed refugee camps near Sidon, trapping terrified women and children. Picture, page 4

Colombia peace move
In a move that appeared to mark the end of a drug war that has terrorised Colombia since August 1989, the feared Medellín cocaine cartel announced that it is disbanding its military organisation.

New pressure on Iraq
The US and Britain will increase pressure to force Iraq to open its suspected nuclear sites to inspection after the failure of a UN mission to obtain access. Page 4

Mitterrand for Iran
French president François Mitterrand has accepted an invitation to visit Iran from president Rafsanjani and will travel to Tehran in the autumn.

Sri Lanka aid suspended
Britain suspended aid to Sri Lanka and restricted arms sales in protest against the expulsion last month of its high commissioner. Page 4

Israeli released
An Israeli who escaped one group of Kashmiri kidnappers only to run into the arms of other separatist abductors was freed in Srinagar.

Abortion pill approved
Banned in the US and called "the moral property of women" in France, the abortion pill RU-486, or mifepristone, has been approved for use in the UK. Page 12

Satellite rescued
Satellite company Telesat Canada said in Ottawa it had rescued a newly launched communications satellite by spinning it to deploy a jammed antenna.

Angola prisoners go free
A joint commission of government and former Unita rebels decided that all Angolan prisoners of war will be freed by the end of this month.

McEnroe fined $10,000
US tennis star John McEnroe was fined $10,000 for his verbal attack on a Wimbledon line umpire during his defeat on Tuesday by current titleholder, Stefan Edberg of Sweden.

Something in the air
Members of the French National Assembly dashed out of parliament to escape a mysterious but pungent smell of garlic.

Business Summary

Credit Lyonnais replaces Dutch banker

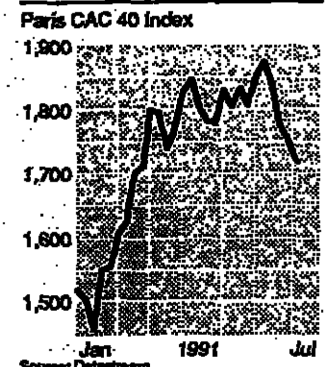
CREDIT LYONNAIS, French state-owned bank, is replacing Jean-Jacques Brutschi, the man who approved $1.19bn of loans to Italian financier Giancarlo Parretti.

Mr Brutschi will leave the chairmanship of Crédit Lyonnais Bank Nederland, the 94 per cent owned subsidiary which has the bulk of the French bank's loan exposure to Mr Parretti and his MGM-Pathe film empire. Page 13

PARIS STOCKS: International market weakness, events in Yugoslavia and negative comments on the French economy

France

Paris CAC 40 index



Source: Datastream

combined to depress the Paris bourse. The CAC 40 index fell for a second successive day. It closed 32.45 down at 1,718.02, its lowest since late February. Page 34

KRUPP STAHL, steelmaking arm of Germany's Fried Krupp group, declared its first dividend for 16 years and reported after-tax profits of DM217m ($122m), compared with 1989's DM452m loss. Page 13

BEGHIN-SAY, French sugar company controlled by Italy's Ferruzzi, took over three Hungarian refiners in a deal believed worth over than $40m Page 3

UNION TEXAS, US oil independent, could net over $1.5bn from North Sea oil assets it is expected to put on the market later this year. Page 13

SECURITY PACIFIC, Los Angeles-based banking group, predicted second-quarter net income would be around $50m, – well below analysts' forecasts. Page 15

LONDON NICKEL traders are being asked to report dealing commitments up to three months ahead. The move, to head off potential supply problems, came as nickel for immediate delivery rose £250 a tonne to $8,887.50. Page 21

INDIA devalued the rupee for the second time in three days and raised interest rates. Its foreign exchange reserves are believed to be as low as $1bn (£600m). Page 12

BRITISH RAIL, UK state-owned railway, made an operating loss for the year of £42.4m – a setback to government privatisation plans. Page 6; Observer, Page 10

CHINA opened its second official stock exchange. The Shenzhen bourse is in a special economic zone near Hong Kong. Page 4

REBUILDING KUWAIT

Firefighters are dousing the inferno of Kuwait's oilfields. Broken tanks, smashed cars and other scars of Kuwait's war have been cleared. Some foreign contractors have begun stripping, clearing and repairing damage caused by Iraq's occupation. Others are bidding for the millions of dollars worth of further contracts. But the ruling al-Sabah family has yet to chart a secure future for the new Kuwait. On Monday July 8, the Financial Times publishes a comprehensive survey on the rebuilding of Kuwait.

Diplomatic efforts to end crisis spurred by federal army moves

Yugoslav fighting spreads

By Judy Dempsey in Ljubljana and Laura Silber in Belgrade

THE CRISIS in Yugoslavia deepened yesterday as tanks of the federal army fanned out across the country and clashes between Slovene forces and army troops were reported throughout the day.

Diplomatic efforts to defuse the crisis continued. From Prague, the 35-nation Conference on Security and Co-operation in Europe appealed for an immediate ceasefire and called for the return of political control over all armed forces in Yugoslavia.

European Community foreign ministers were preparing to meet in The Hague today to consider recognising the rebel republics of Slovenia and Croatia, whose declarations of independence last week sparked the outbreak of multi-ethnic conflict in Yugoslavia.

In Belgrade, the federal capital, the office of Mr Ante Markovic, Yugoslavia's prime minister, last night denied a flurry of rumours that he had been placed under house arrest.

YUGOSLAVIA IN CRISIS

Tanjug, the country's official news agency also denied the reports. It said Mr Markovic had spent the day in a session with the federal government. The federal army also released a statement denying his arrest.

Scores of tanks and armoured personnel carriers moved out yesterday morning from barracks in Belgrade, travelling west towards Slovenia. This followed an announcement on Tuesday night by General Blagoje Adzic, the federal army's chief of staff, that the military had declared war on the rebel republic.

In Slovenia, the republic's radio reported that fighting broke out between the republic's defence units and federal troops at Gornja Radgona, on the Austrian border. Casualty figures are unknown.

Fighting also took place in the village of Brezice, south-east of the republic.

Slovene television reported the village was surrounded by federal tanks which had moved out from Krakovski Godz, the scene of prolonged and bloody clashes on Tuesday morning. It said shooting had broken out, but it did not give any casualty figures.

But in the west of the republic, federal troops and tanks which had travelled towards Slovenia from Zagreb, the capital of Croatia, turned around in the afternoon and headed back into Croatia.

It is unclear if they were drawing breath before a full-scale military assault on the republic, or if they had received instructions to withdraw completely.

During the afternoon, Slovene and Croatian radio reported that large convoys of tanks had travelled through the republic of Bosnia-Hercegovina. There is now growing speculation that these tanks are being sent to Krajina, south-western Croatia, to protect the ethnic Serb minority against any possible attack from Croatia's own army if war broke out.

In Croatia, the government prepared for war. Barricades were thrown up around the centre of Zagreb, along the main roads, and along some border crossings.

The Croatian leadership, led by President Franjo Tudjman, reshuffled the government. Mr Martin Spegelj, the defence minister and staunch Croat nationalist, was made commander of the republic's national guard.

Mr Sima Djodan, described by western military attaches as "the hawk of all hawks", was promoted to the Defence Ministry.

Mr Jelco Kacin, Slovenia's minister of information said he had no idea what tactics those federal forces were now adopting.

He said Slovenia had started talks with the Yugoslav army on how to arrange for federal troops to return to barracks after days of fighting over the republic's independence bid.

Continued on Page 12

Hot seats: Yugoslav delegates at yesterday's Prague meeting of the CSCE listen to the call for an end to hostilities

EC may recognise rebel republics

By Our Foreign Staff

EUROPEAN Community foreign ministers will meet in The Hague tomorrow to consider whether to recognise Slovenia and Croatia if Belgrade does not stop hostilities against the breakaway republics, a Dutch Foreign Ministry official said yesterday.

"The meeting will be on Yugoslavia and on the results of the CSCE (Conference on Security and Co-operation in Europe) meeting in Prague," Mr Andre Haspels said. The Dutch hold the EC presidency.

The 35-nation CSCE formally offered its good offices to restore peace in Yugoslavia and called for an immediate end to hostilities there.

Senior officials from the member countries, meeting under emergency procedures, were also considering the despatch of observers to Yugoslavia, in consultation with the federal and regional authorities.

Apart from calling for an immediate halt to the fighting, the declaration urged that all the armed forces in the country must return to their barracks "and stay there".

It stressed the need to re-establish political control over all armed forces, to provide the necessary breathing-space for discussions between the warring parties to take place.

In London, Mr Douglas Hurd, the foreign secretary, told parliament that Yugoslavia's old political system "is in an advanced state of decay and cannot survive".

He said events in the rebellious northern Yugoslav provinces of Croatia and Slovenia appeared to be moving out of control.

Diplomats in Bonn said Mr Hans-Dietrich Genscher, the German foreign minister, telephoned his EC colleagues as well as his counterparts in Washington, Belgrade, Ljubljana and Vienna, to discuss what to do.

"The question of diplomatic recognition or a threat of recognition is one of the options," a diplomat said.

Mr James Baker, the US secretary of state, said yesterday after a meeting in Washington with Mr Hans van den Broek, his Dutch counterpart, that the US and the EC were considering instituting an arms embargo and suspending aid to Yugoslavia because of the violence.

Several west European countries also discussed a role for the United Nations should the new CSCE crisis management system fail to achieve a lasting ceasefire.

Apple and IBM join to develop desktop computers

By Louise Kehoe in San Francisco

APPLE Computer and International Business Machines, two of the world's leading personal computer companies, are to collaborate in the development of software and hardware technology for a new generation of desktop computers.

The agreement represents one of the broadest collaborative technology pacts in the history of the computer industry.

Its goal is to "create powerful new open system software platforms for the 1990s", the US companies said.

The deal will mean that companies using IBM large computers for data processing will be able to use Apple's advanced Macintosh computers as desktop workstations.

It also represents a serious challenge to Microsoft, which dominates the personal computer system software market with its MS-DOS and OS/2 operating systems. An operating system is a program that controls the basic functions of a computer.

The announcement comes after a whirlwind of negotiations that began just a month ago and marks a turning point in the relationship between Apple and IBM which, until now, have been antagonists in the personal computer market.

The two groups will form a joint venture company to produce software. It will develop a hardware-independent computer operating system based upon "object-oriented" software, an advanced form of computer program that can run on different types of machines. The jointly owned venture will be independently managed.

Products are expected to reach the marketplace over the next two to three years.

The four-part agreement, for which the two companies have signed a letter of intent, covers both software and hardware technology:

● A joint system software venture to develop a new operating system to run on computers ranging from laptop to large "servers" that control the functions of networks of desk top computers. Application programs designed to run on existing operating systems, including IBM's AIX, a version of Unix; OS/2, a personal com-

Continued on Page 14

Pooling development, Page 18
Chips are down, Page 20

EC launches probe into steel industry

By David Buchan in Brussels and David Owen in London

THE EUROPEAN Commission has launched a probe into a suspected cartel by European Community steel producers, which it believes may be restricting output of hot-rolled coil in an attempt to bolster the price.

The EC's investigation started with a raid last Thursday on the Brussels office of Eurofer, the industry association that groups the main EC steel producers and makers of hot-rolled coil. Eurofer refused to comment yesterday.

Hot-rolled coil is the basic raw material for a range of flat steel products.

The Commission would not confirm reports that it had also raided the premises of Italian, German and Spanish producers in a search for evidence of collusion on production and delivery of hot-rolled coil. British Steel and Cockerill-Sambre of Belgium said they had not been raided.

A Commission official said: "Basically we suspect that, though the system of quotas has gone, the practice has not."

Until June 1988, the Commission had sanctioned an official production cartel, organised through Eurofer, but subsequently deemed such price-support measures unnecessary.

The Commission suspects that, after demand slackened in mid-1989, producers came to a new agreement to restrict output of hot-rolled coil. Nonetheless, its price has fallen by nearly 25 per cent over the past year, according to the industry.

The Commission's latest investigation is potentially its biggest into the steel industry. Companies found guilty of running a cartel can be fined up to 10 per cent of the value of their annual turnover. EC steel makers produced about 60m tonnes of hot-rolled coil last year.

Sir Leon Brittan, the EC competition commissioner, has stressed that the EC steel industry should be treated like any other.

Last year his competition directorate fined stainless steel makers for running a cartel, and in January it probed a suspected cartel in heavy steel beams used in the building industry.

Long-term growth of 3% forecast

By Peter Norman in London

ECONOMIC GROWTH rates in the industrialised world are beginning to converge on a long-term path of 3 per cent a year. This follows 12 months marked by recession in the big English-speaking economies and rapid expansion in Germany and Japan, the Organisation for Economic Co-operation and Development reported yesterday.

After six months of near stagnation in the OECD's 24 industrialised member nations, the Paris-based think-tank yesterday forecast growth of around 3 per cent next year compared with 1991.

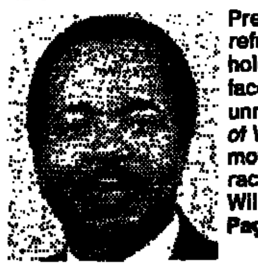
However, in other respects the OECD's latest Economic Outlook offers only limited encouragement. It warns that unemployment in the OECD will stay high at around 28.4m over the next 18 months.

Inflation in the area is projected to fall to around 3.8 per cent in 1992 from 4.4 per cent this year.

Details, Page 5; Lex, Page 12

CONTENTS

Cameroon swims against West Africa's democratic tide



President Paul Biya is refusing to resign or hold elections in the face of increasing civil unrest. But in the rest *of West Africa popular movements for democracy are taking effect.* Will Cameroon follow? **Page 4**

MARKETS

STERLING
New York lunchtime:
$1.6075
London:
$1.605 (1.602)
DM2.94 (2.94)
FFr9.9625 (9.9575)
SFr2.5425 (2.53)
Y224.0 (222.25)
£ Index 89.5 (89.3)
GOLD
New York: Comex Aug
$371.6 (369.4)
London:
$369.15 (367.45)
N SEA OIL (Argus)
Brent Aug
$18.75 (18.825)

Chief price changes yesterday: Page 13

DOLLAR
New York lunchtime:
DM1.8305
FFr6.2025
SFr1.581
Y139.37
London:
DM1.8315 (1.8345)
FFr6.2075 (6.215)
SFr1.5835 (1.58)
Y139.5 (138.75)
$ index 68.5 (68.6)
Tokyo close:Y139.32
US lunchtime rates
Fed Funds: $5\frac{11}{16}$%
3-mo Treasury
Bills: 5.722%
Long Bond:
$96\frac{3}{32}$
yield: 8.42%

STOCK INDICES
FT-SE 100:
2,448.2 (−12.0)
FT Ordinary:
1,894.9 (−12.3)
FT-A All-Share:
1,174.07 (−0.4%)
New York lunchtime:
DJ Ind. Av.
2,940.52 (−32.2)
S&P Comp
374.47 (−3.44)
Tokyo: Nikkei
23,373.47 (−822.29)
LONDON MONEY
3-month Interbank:
$11\frac{3}{16}$ (same)
Liffe long gilt future:
$91\frac{7}{32}$ ($90\frac{15}{32}$)

Serbians torn between loyalty and fear of bloodshed

Laura Silber reports from Belgrade on how the country's Serbs feel betrayed by their nationalistic communist leaders

THE SERBS, often painted as the agents provocateurs in the unrolling Yugoslav crisis, are in reality torn between fear of the current bloodshed and fierce loyalty to their republic, the largest in the federation.

While many are glad to see the federal army at last descending on the rebel republics of Slovenia and Croatia, they also rage at what they see as the incompetence and powerlessness of their own institutions.

Hysterical scenes in the parliament on Tuesday in Belgrade, the Serbian and federal capital, illustrated these conflicting emotions.

Hundreds of parents whose sons are serving in the federal army stormed the assembly, screaming and cursing at the deputies in a confrontation that was carried live on television.

A 51-year-old mother cried: "I want my son back. Give us weapons, so we can fight instead."

As a 35-year-old history teacher pointed out: "The weeping mothers did not demand peace. Instead they showed their collapse of faith in the Yugoslav army. The demonstrators now want to take matters into their own hands. They no longer believe in any institutions. "It was tragicomic. Their fear is completely understandable, on the one hand, as many conscripts have been killed. But, on the other hand, the crowds took over parliament and demanded weapons. It all shows how remote is the chance for any peace or democracy in Serbia."

Serbs, who three years ago rallied around Mr Slobodan Milosevic, the Communist leader who conjured up and then rode a wave of nationalism to become the president of the republic, now feel betrayed. Their fanatical support for Mr Milosevic has crumbled into disillusion because they feel he has failed to return to Serbia the dominant position within Yugoslavia which they feel it deserves. Now they lack any political direction or hope of a peaceful solution to Yugoslavia's troubles.

"Serbia was the last to hold elections and remains communist," said Mr Mihajlo Kovac, a parliamentary deputy. "We suffer this stigma both in Yugoslavia and abroad. This government and these times are a national catastrophe for Serbs."

Serbs see themselves as the heirs to Yugoslavia. They often point out that Serbia fought on the winning side in both world wars, while Croatia was first part of Austro-Hungary and then ruled by a pro-fascist regime during the Second World War.

They feel angry and betrayed by the Slovenes. "The army defended them in 1953, when the northern part of Slovenia (Zone B) was under dispute with Italy," said a Belgrade journalist. "They then welcomed the Yugoslav army. But now the Yugoslav army is called a fascistic occupying force."

Most Serbs seem ready to accept that Slovenia will secede. But they blame the tiny western republic for forcing the crisis to a head, which they fear will drown Yugoslavia in a blood bath. They say the Slovenes should have backed down from their declaration of independence in the interests of peace, not only in Slovenia but throughout Yugoslavia and in Europe.

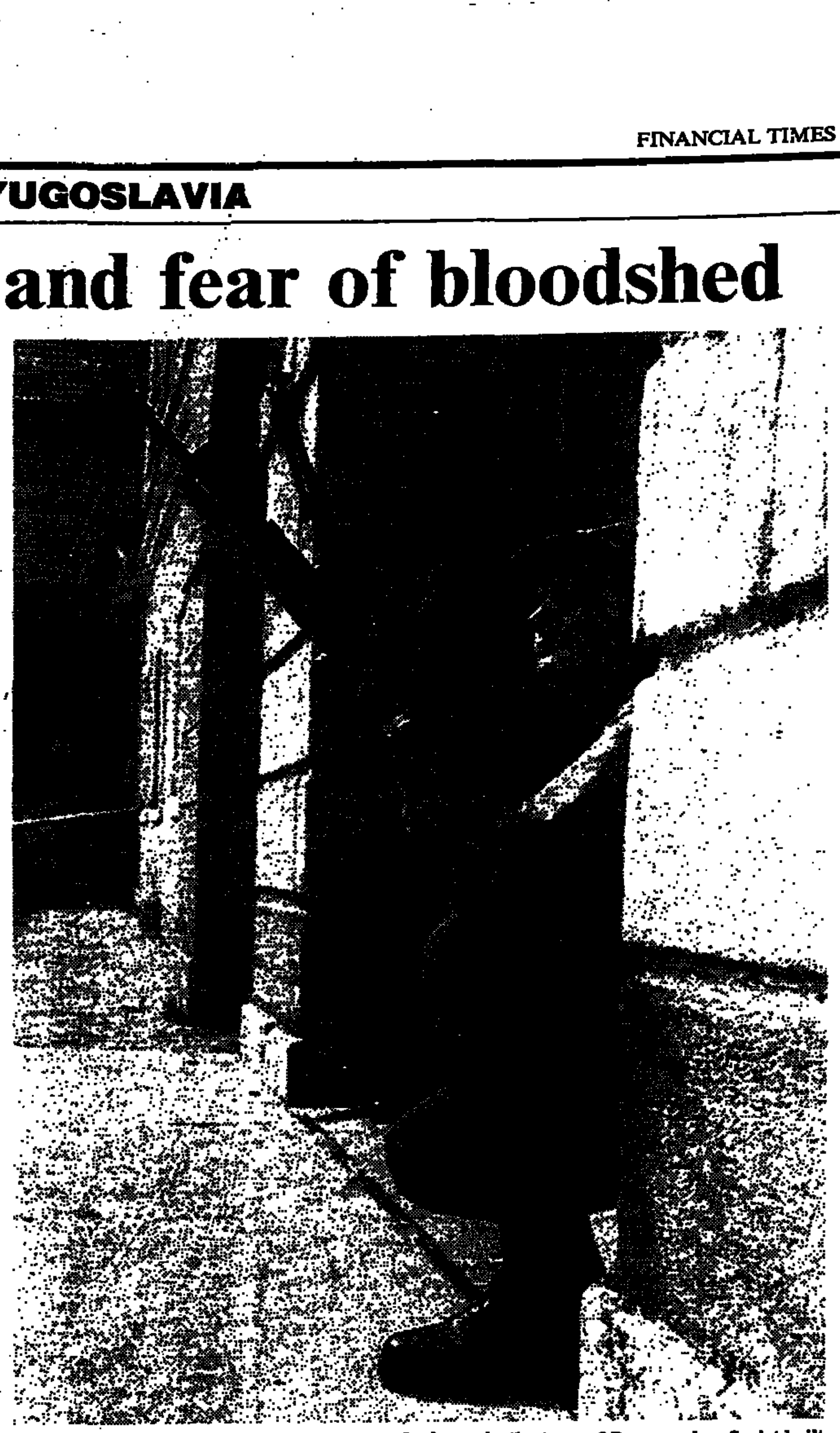
Belgrade residents, believing war to be imminent, are buying stores of flour and salt to prevent hunger when store supplies run out. Lines of cars snake around petrol stations as rumours persist that petrol will soon be unavailable.

While many Serbs demonstrate their anguish as tens of thousands are mobilised by the federal army, others accept this fate, regardless of their opposition to the government. Although they blame Mr Milosevic for the country's present agony, they consider themselves honour bound to defend Serbs throughout the country.

Young men are seized by the sense of obligation to defend Serbia in the face of Yugoslavia's disintegration.

A 27-year-old architect said: "I have never supported Mr Milosevic and the Communist Party.

"But I have only one country and one nation, no matter how confused. I will join to fight for Serbia."



Slovenian soldiers sheltering in the entrance of a house in the town of Dravograd as Soviet-built MiG-29s belonging to the Yugoslav federal air force flew over the area several times

Italy prepares for influx of refugees

SOME 40,000 refugees may flee the fighting in Yugoslavia and cross the country's border with Italy, Rome's immigration minister said yesterday, Reuter reports from Rome and Munich.

"Women and children would probably be the first to cross the borders and estimates forecast a flow of some 40,000 people," Mrs Margherita Boniver told reporters.

Her ministry is working with the interior, defence and civil protection ministries to co-ordinate responses to any influx.

Mr Nicola Capria, civil protection minister, said: "We hope the conditions for an exodus will not be brought about. But if it does take place, we will tackle it."

Italy is anxious to avoid a repeat of the Albanian refugee exodus last March, when the government was taken by surprise by more than 20,000 people who fled across the Adriatic to ports on the southeast Italian coast.

Italy has said Albanian refugees who have not been granted political asylum or found a job by mid-July will be sent home.

Meanwhile, some German tourists, desperate to escape fighting in Yugoslavia, altered their tickets so they could catch the first ferry out yesterday, a spokeswoman for the German motor club ADAC said.

"Some wanted to get on that boat at any cost," she said, adding that they had altered their tickets to get on the first sailing rather than the second.

About 1,000 mostly-calm tourists sailed on the Marco Polo to the Italian port of Trieste. The boat was chartered by the ADAC to help ferry some of an estimated 30,000 German tourists out of Yugoslavia.

In Bonn, the foreign ministry repeated its call for Germans to avoid travelling through Slovenia and Croatia to Austria.

● The local clinic in the Yugoslav border town of Gornja Radgona, close to Austria, was fully staffed yesterday and was turning away ordinary patients as it prepared to receive battle casualties, Reuter adds.

"Unfortunately we are waiting for the injured soldiers from either side," Dr Miran Ostan, head of the clinic, said.

Airlines take avoiding action

By Andrew Bolger

INTERNATIONAL air operators have started to avoid flying over Yugoslavia, even though the Belgrade authorities yesterday eased restrictions on airspace imposed earlier in the week.

The airports at Zagreb and Ljubljana remain closed and airspace in the northern half of the country controlled from Zagreb is still closed up to the level of 20,000ft – well below the cruising height of jets.

The conflict will put further pressure on the Mediterranean's already crowded airspace, since many European aircraft normally cross Yugoslavia en route to Greece.

Yesterday there was little airline activity in Yugoslavia, apart from charter flights taking out tourists and scheduled services by the state airline, JAT, in airspace controlled from Belgrade.

All British tourists were advised yesterday to leave Yugoslavia. More than 2,400 holidaymakers were on their way home after fleeing the violence in chartered boats.

One London insurance broker, Sedgwick, is already facing a large claim arising from damage to aircraft owned by Adria, the Yugoslavian airline, which occured at Ljubljana on June 28. The reinsurance claim is believed to be for the total loss of a A320-300 Airbus, a DC-9 and two Dash-7 turboprops. The claim could be for as much as $64m (£39m). Sedgwick declined to confirm the size of the claim and said it had not yet been able to assess the extent of the damage.

The fighting has had little impact so far on the insurance market, though some London underwriters have increased their aviation rates. Most insurance directly available in Yugoslavia, and reinsurance through the London and German markets, specifically excludes war or civil war, so businesses suffering losses on land will have to pursue their claims with government authorities.

One possible exception is marine policies, which can extend to cargo being transported across land. Northern Yugoslavi ports such as Split, Koper, Rijeka and Zadar handle a lot of cargo bound for eastern Europe.

In Athens, Mr Andonis Samaras, the Greek foreign minister, said the free movement of Greece's products being transported through Yugoslavia were being monitored following reports that scores of Greek trucks were trapped by the fighting in Slovenia. About 30,000 truckloads of EC goods pass through Yugoslavia each year and half of Greece's exports to the EC are trucked through the country.

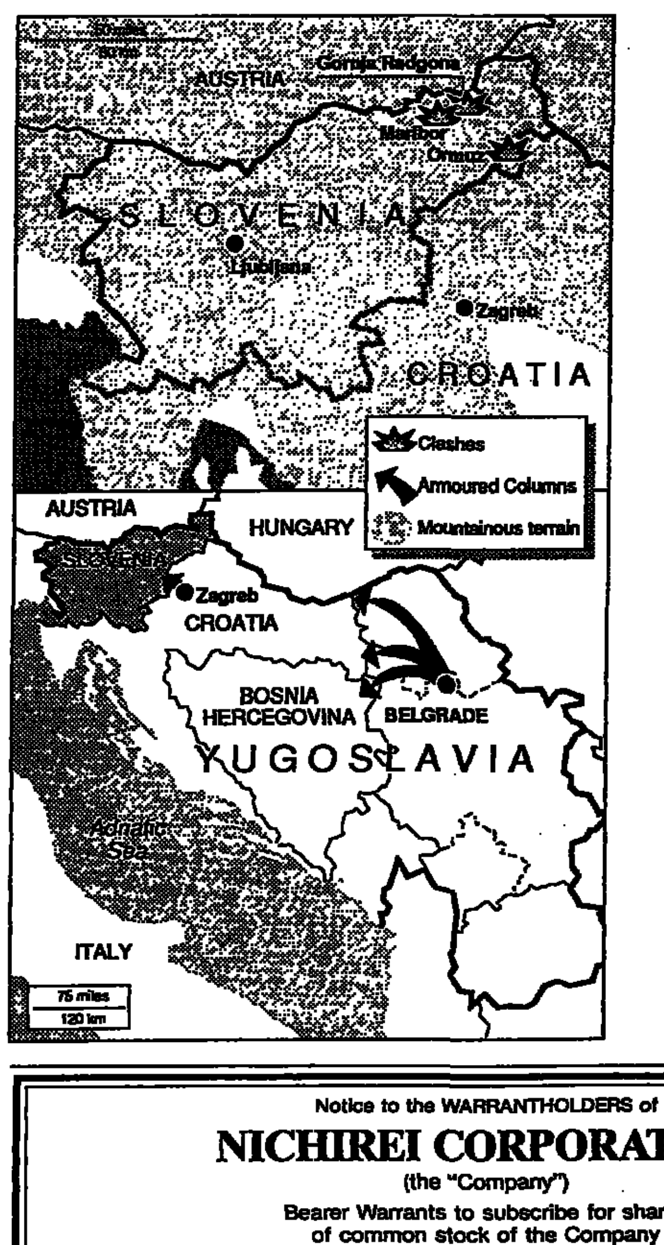
Yugoslavia is also an important route for road haulage to Turkey and the Middle East. Lorries are now being rerouted through Hungary, Romania and Czechoslovakia, which are allowing in drivers with visas issued by Yugoslavia.

Lengthy queues have developed along the Austria/Hungary border, however, with trucks waiting as long as 30 hours to cross. "The big problem is for those carrying perishable goods," said the Austrian motoring organisation Arboe.

It said: "They cannot be given preferential treatment as usually happens, so most of their cargoes are spoiled by the time they reach their destination."

THE British government last night revoked all existing export licences to Yugoslavia covering military goods and industrial equipment which might have a military application, PA reported.

The Foreign Office said it would be wrong to supply troops which were behaving in the manner of the Yugoslav federal army.



CSCE calls for immediate end to hostilities

By Robert Mauthner and Ariane Genillard in Prague

A DESPERATE attempt to prevent Yugoslavia descending into bloody civil strife was launched yesterday by the 35-nation Conference on Security and Co-operation in Europe.

Senior officials from the member countries, including the US, Soviet Union, Canada and all European countries quickly adopted a declaration calling for an immediate end to hostilities between the warring factions in Yugoslavia.

The declaration also called for a return to barracks by the federal Yugoslav and Slovenian forces and for a resumption of political control over all armed forces in Yugoslavia.

The officials were meeting under the special emergency procedure agreed at a CSCE ministerial conference in Berlin two weeks ago.

This mechanism allows the CSCE to make recommendations and offer its good offices to the conflicting parties. However, the CSCE, which can only make decisions by consensus, cannot impose solutions on member countries.

In his opening speech to the meeting, President Vaclav Havel of Czechoslovakia said that a high-level group of observers could be sent by the CSCE to Slovenia and Croatia.

This would then report back to the organisation's ministerial council. On the basis of the group's findings, the council would decide on whatever further action it deemed necessary.

President Havel also suggested "a universal embargo" on arms exports to the whole of Yugoslavia.

However, the Czechoslovak president warned that no final solution to the Yugoslav crisis was likely to emerge from the conference.

"Nobody expects that all the accumulated problems can be resolved without a complex and probably lengthy process taking place."

The CSCE's efforts to end the conflict in Yugoslavia and establish a breathing space during which the warring factions could work out a more permanent settlement, is taking place in parallel to a similar mission by the European Community. But delegates to the conference here made no attempt to hide their scepticism about the practical contributions they could make.

"It's always too late. Such a conference cannot send troops to Yugoslavia," said Mr Jiri Dienstbier, the Czechoslovak foreign minister.

"We can only present ideas to all parties involved in the region and convince them that the only way to achieve their goals is in a peaceful and democratic manner."

Diplomacy tested by territorial integrity

Edward Mortimer in London and **Lionel Barber** in Washington on the west's stance

EUROPEAN Community states were considering yesterday whether to recognise Slovenia and Croatia if the Yugoslav federal army did not cease hostilities.

Yet nine days ago, when the two Yugoslav republics unilaterally declared their independence, they encountered virtually unanimous official disapproval. No foreign governments recognised the new states.

Only a week earlier, in Berlin, the foreign ministers of the 35 states of the CSCE had appealed to Croatia and Slovenia to remain in the Yugoslav federation, while urging Serbia to negotiate with them on changes in governmental structure which would, they suggested, preserve Yugoslavia's political and territorial integrity.

Mr James Baker, US secretary of state, flew straight from Berlin to Belgrade to take that message personally to Yugoslav leaders. The US, he warned, would "neither encourage nor reward unilateral actions" leading to secession.

That warning was repeated after the event in a joint White House-State Department statement. "The United States," it said, "continues to recognise and support the territorial integrity of Yugoslavia, including Croatia and Slovenia."

In Europe, the US does not want to seem to be advocating a break-up of the Soviet Union. Also, the Bush administration believes that in post-cold war European crises it is up to Europeans, specifically the EC, to take the lead.

The earlier position was also dictated by western reluctance (especially after the unhappy experience with the Kurds in Iraq) to seem to be egging on ethnic minorities to a collision course with the central authorities.

Its weakness, which became rapidly apparent as events unfolded, was that it put the west in the camp of the still-Marxist Yugoslav army and the proponents of a greater Serbia, putting too much emphasis on order at the expense of self-determination and democracy.

Mr Lawrence Eagleburger, a former US ambassador to Yugoslavia and now deputy secretary of state, signalled the US policy shift at the weekend, making clear that the status quo in Yugoslavia had become untenable.

"It is absolutely essential," he said, "for a different configuration in Yugoslavia, that the sovereignty of those republics and their democratic, market-oriented process must continue, that we are against the use of force to maintain the federation as it now exists. We're against the use of force period, but what we want is a new confederation."

By Tuesday, the State Department was speaking out much more freely about the desirability of autonomy for Croatia and Slovenia, even declaring that it would accept independence for the breakaway republics on condition that it was achieved peacefully.

European governments at first were as cautious as the Americans, but in fact their perspectives varied with their geographical situation and their own domestic problems. France, Romania and the Soviet Union – all states with a centralist tradition, fearful of separatism among ethnic or linguistic minorities – have been the firmest supporters of Yugoslav territorial integrity, while Austria, with close historical and geographical ties to Croatia and especially Slovenia, has been much the most sympathetic to their point of view.

Germany too has been sensitive to the breakaway republics' predicament, partly, but not only, because it is host to a substantial population of Croat *Gastarbeiter*.

Perhaps the most forthright in admitting the reasons for his shift in policy has been Mr John Major, the British prime minister. During the Luxembourg summit last weekend he was still saying publicly that "the first prize is to hold the [Yugoslav] federation together". Yet inside the meeting he was warning that this would probably prove impossible, and that western public opinion would back the Slovenes.

Defensive force that changed tactics

By David White, Defence Correspondent and Judy Dempsey

YUGOSLAVIA has one of the biggest armies in eastern Europe, with total forces of 180,000, excluding 15,000 frontier guards who also come under the command of the defence ministry.

Compared to the countries of the former Warsaw Pact it is relatively under-equipped in terms of tanks and armoured vehicles because of its non-aligned defence posture, with fewer than its eastern neighbours Bulgaria or Romania.

All available figures ignore how much the federal armed forces and reserve may have fragmented along ethnic lines since the conflict began.

The figures show that the air force has more than 450 combat aircraft and about 200 armed helicopters, more than any of its immediate neighbours, including the two Nato members Italy and Greece.

According to the Military Balance published by the International Institute for Strategic Studies (IISS), the Yugoslav army's strength of 138,000 includes some 93,000 conscripts on their 12 months' military service. In addition, there are 440,000 army reservists.

The army, distributed in four military regions, possesses some 1,850 heavy tanks, although only about 300 are of recent vintage. The total, according to the IISS, includes 700 Second World War-era US and Soviet tanks, which are kept in storage. It has more than 6,000 artillery pieces of a wide variety of Soviet, US, German and Yugoslav designs, a similar number of mortars, and 160 multiple-rocket launchers.

The air force is made up of fighter squadrons equipped with Soviet MiG-21s and the latest MiG-29s, and ground attack and reconnaissance units using locally made fighter-trainers. Armaments include two types of air-to-ground missiles, the US AGM-65 Maverick and the Soviet AS-7 Kerry. Its combat helicopters include versions of the French Gazelle, made under licence.

The army is financed by the federal budget, and not by the individual republics. About 47 per cent of the federal budget, or $2bn (£1.2bn), was allocated to the army last year. This accounts for 3 per cent of GDP. The finances are used specifically for the running costs of the army, and pensions.

The army supplements its income through some of the revenue from arms exports, which last year totalled more than $4bn.

Yugoslav federal forces

Commander-in-chief: President Stipe Mesic
Defence minister: General Veljko Kadijevic
Chief of staff: General Blagoje Adzic
Head of military intelligence: General Marko Negovanovic

Total forces under arms: 180,000

	Army	Airforce	Navy
Personnel	138,000 93,000 (conscripts) 440,000 reserves	27,000 4,000 (conscripts) 27,000 reserves	10,000 900 (marines) 43,000 reserves
Hardware	1,850 heavy tanks (about 300 modern) 6,000 artillery guns 6,000 mortars 160 multiple rocket launchers	Over 450 combat aircraft 200 armed helicopters	4 frigates 59 patrol & coastal craft with missiles & torpedos

Source: IISS 1991 Military Balance

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هكذا منة بالأصل

Camels ride to rescue of the Soviet smoker

By Nikki Tait in New York

RJR Tobacco International, part of the large RJR Nabisco consumer products group, said *yesterday it had signed a joint-venture agreement which* could allow it to produce *significant numbers of cigarettes* in the Soviet Union by the middle of next year.

The venture is being established with the Alma-Ata Integrated Tobacco Works in Kazakhstan and will produce Camel cigarettes as well as jointly-owned brands. RJR, hopes to be producing around 2.4bn cigarettes a year by mid-1992, although it remained cautious about timing.

US tobacco companies looked longingly at the huge Soviet cigarette market for *many years. While smoking is* slowly declining in the US, Soviet demand remains buoyant and unsatisfied.

The Soviet Union is reckoned to be the third largest cig*arette market in the world*, after China and the US, with some 70m people smoking *around 470bn cigarettes a year.* Soviet output has ranged between 350bn and 400bn units *in recent years.*

Both RJR and Philip Morris announced big deals to help relieve chronic tobacco shortages in the Russian Republic last October. Between them, the two manufacturers said they would supply some 34bn cigarettes over the next 12-15 months. The deals were widely viewed as a further attempt by the US tobacco companies to gain a manufacturing entrée in the market, and RJR *said* then that it had signed joint venture agreements to produce RJR *cigarettes* in Leningrad.

Under the latest agreement, RJR will provide equipment, technical expertise, and "long-term agronomy assistance".

Yavlinsky takes to road in search for converts

By Quentin Peel in Bonn

CALL it the Grand Bargain, or more modestly, the Window of Opportunity: the Harvard-Yavlinsky plan to persuade the west to help trans*form the Soviet Union into a market economy* was on sale (metaphorically speaking) in Germany yesterday.

It is a matter of preaching to the converted in Bonn. Of all the Group of Seven industrialised states which will bear out President Mikhail *Gorbachev on his economic plight in two* weeks time, Germany is the most inclined to do something about it. The problem is that the German kitty is bare: all the cash is being spent on the former East Germany. All that is left is goodwill. Yet that is the first commodity which the authors of the plan are after.

Mr Grigory Yavlinsky, co-author of last year's 500-day programme for a crash Soviet transition to a market economy, and Professor Graham Allison, head of the Kennedy School of Government at Harvard, are on a manic marketing mission from Moscow, via Malta (to see Mr Gianni de Michelis of Italy), Bonn (to see Mr Hans-Dietrich Genscher, and Chancellor Helmut Kohl's advisers), London (Mr Norman Lamont, the chancellor of the exchequer and Mr Jacques Attali of the European Bank for Reconstruction and Development), Paris and Tokyo, in an *urgent effort to persuade* the G7 leaders to take a look through their window of opportunity.

Their pitch is both dramatic and self-deprecating. They are not after mountains of money and are not trying to bail Mr Gorbachev out. Nor are they even trying to lay down a final programme *to stop the collapse of the Soviet economy. They* simply want to persuade western leaders that it is in their interests to be involved.

"There is no more important question for 1991 and 1992, not just for the Soviet Union, but for the whole world." Prof Allison said yesterday at the German Foreign *Policy Institute. A disinte*grated, rudderless state with nuclear weapons was too ghastly to contemplate.

The rest of the sales pitch comes from Mr Yavlinsky, the man who resigned in desperation as Mr Boris Yeltsin's deputy premier, seeing the moves *to a market in tatters. He now sees* another chance to put the same programme back into effect – although the economic collapse, the budget deficit, and the devaluation of the rouble, are already far worse.

What they meet is sympathy – and scepticism. How do you re-educate Soviet bureaucrats the wily Germans ask? How do you persuade the people to want a market economy? And above all how do you persuade Mr Gorbachev himself to buy it? What use a window of opportunity if the other side won't look through?

Mr Kohl flies to Kiev on Friday to see the *Soviet leader. Mr Gorbachev may be looking for* money, and Mr Kohl has little, if any, to offer. But what Mr Yavlinsky and Prof Allison are desperately hoping is that the chancellor will persuade Mr Gorbachev that he must opt for the radical reform plan: any other half-baked alternative will not to win western support.

The real sales pitch is needed back in the Soviet Union.

Prof Grigory Yavlinsky: trying to persuade the west to recognise a window of opportunity

Brussels approves Ford/VW plant aid

By Da[illegible] Buchan in Brus[illegible] and William [illegible]kins in Paris

BRUSSELS [illegible]erday approved Ecu547m ([illegible]m) of Portuguese and E[illegible]ean Community *aid to* [illegible] Ford and Volkswagen se[illegible] a plant in Portugal.

Overruling a[illegible] objection from Matra, the F[illegible]ch company which make[illegible] Espace *vans under the Rena*[illegible] badge, the European Com[illegible]sion ruled that the aid wa[illegible]stified, given that the fa[illegible]ry would create 5,000 [illegible]s directly – and 7,000 indire[illegible] – in Setubal, one of the Co[illegible]munity's most backwar[illegible] regions. The plant aims eventually to turn out 190,000 family vans, or so-called multi-purpose vehicles (MPVs), a year.

Matra said yesterday it would contest the Commission's decision.

The Commission said two-thirds of the total Ecu2.5bn cost of the plant was consid*ered eligible for state or* regional aid; under EC rules the Portuguese government could have financed up to 75 per cent of this. The proposed aid would amount to only 32.8 per cent of the total eligible for assistance.

The aid will be in the form of an Ecu500m direct grant (with the EC regional fund providing 70 per cent of this initially), and a five year tax exemption worth up to Ecu47m.

"It should not give an unfair advantage," to Ford and VW, the Commission said. The Setubal plant should not lead to problems of overcapacity, it added.

Industrial output declines by 0.2% in west Germany

INDUSTRIAL production in west Germany fell a provi*sional 0.2 per cent in May* against a month earlier, after a revised fall of 0.9 per cent in April, *the Economics Ministry* said, *Reuter reports.*

However, Bundesbank statistics show output in May rose a provisional 3.9 per cent against the corresponding month in 1990. The April figures were revised from an original fall of 1.8 per cent.

An Economics Ministry *statement said the economy remained robust. Strongest* growth in May was seen in the utility sector, where output *expanded 7.5 per cent, and in* mining (5 per cent). But manufacturing output fell 0.5 per cent and construction 6.5 per cent.

Overall industrial production in April and May, against February and March, fell 0.5 per cent.

Spain-Morocco links grow

By Tom Burns in Madrid

KING Juan Carlos and Prime Minister Felipe Gonzalez of Spain are due in Morocco *today to sign a bilateral friend*ship and co-operation treaty that aims to cement the Madrid government's growing diplomatic and economic links with its southern neighbour.

The treaty will pave the way for an increase in soft loans to Spanish companies investing in Morocco which were launched by a Pta150bn ($1.34bn) five-year credit line *agreed in 1988. Madrid added a* further Pta25bn in aid last year, and Spanish diplomats said yesterday *that the credit* ceiling was likely to be raised.

Spain's political interest in Morocco forms part of a wider diplomatic initiative with the five North African countries – Algeria, Libya, Mauritania, Morocco and Tunisia – that form the Arab Mahgreb Union. The government wants to establish a "five plus four" regional forum, combining the *Mahgreb nations with France,* Italy, Portugal and Spain, in a first step towards creating a *Mediterranean Security and* Co-operation Conference.

The treaty will institute annual summits between the Spanish and Moroccan prime ministers as well as bi-annual foreign ministers' meetings. It also enshrines a non-aggression pact highly valued by Madrid, given Rabat's occasional protests over Spain's Ceuta and Melilla enclaves.

France acts on joblessness and professional training

By William Dawkins in Paris

GOVERNMENT and employers in France *yesterday launched* separate initiatives to combat rising unemployment and improve professional training.

Mrs Martine Aubry, the labour minister, unveiled an 18-point plan to reduce joblessness, which at 9.5 per cent is among the highest rates in Europe, and to make it easier for the young to find jobs. It includes higher wage subsidies for companies making tempo*rary lay-offs, to encourage* them to defer permanent job cuts; less red tape for small businesses taking on their first employees; and the creation of local employment advice centres for the young.

At the same time, employers and the main unions have agreed on reform of France's 21-year-old system of professional training.

WORLD TRADE NEWS

Thailand warned to steer clear of protectionism

Report backs a more liberal trading climate, writes **William Dullforce**

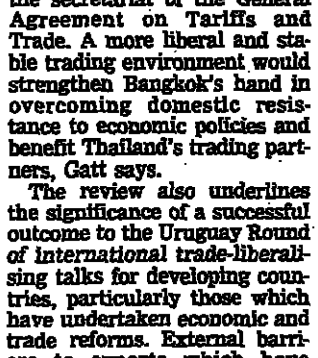
LIBERAL economic and trade policies have given Thailand one of the world's fastest growing economies *since the mid-1980s, but* substantial pockets of trade protection remain and could *impede future development.*

This is the broad conclusion of the first review of Thai trade policy, published yesterday by the secretariat of the General Agreement on Tariffs and Trade. A more liberal and stable trading environment would strengthen Bangkok's hand in overcoming domestic resistance to economic policies and benefit Thailand's trading partners, Gatt says.

The review also underlines the significance of a successful outcome to the Uruguay Round *of international trade-liberali*sing talks for developing countries, particularly those which have undertaken economic and trade reforms. External barriers to exports which have driven recent Thai economic growth are gaining in importance and the country has much at risk should efforts to liberalise trade in farm and textile products fail.

Thailand trade

Index 1980 = 100 (value in US$)



Source: GATT

Mr Tej Bunnag, Thai ambassador, complained to the Gatt council of increasing trade harassment, especially by large nations which "do not refrain from using *all measures* to protect their domestic industries" and to enhance their competitive positions.

Because of constraints on exports, Thailand resorts to complex mechanisms to allocate quotas on exports of textiles, clothing, sugar and tapioca products, according to Gatt. The sugar quota applies only to the US while the quota for tapioca derives from a voluntary export agreement with the European Community.

On the other hand, more than a fifth of Thai merchandise exports were still accorded preferential treatment by developed countries in 1989.

In two decades Thailand has been transformed from an agrarian society into an economy with a fast-developing manufacturing sector which contributes substantially more than agriculture to GDP. Economic growth has averaged more than 10 per cent annually since 1987, boosted by a 10-fold *increase in net private foreign* investment and a three-fold rise in income from tourism.

Much of the foreign investment has gone into export-oriented processing and assembly projects. Manufactures account for about two-thirds of merchandise exports, up from slightly more than a third in 1980.

However, Gatt points to several flaws in Thai trade policy. *Although* the weighted average tariff of 11.4 per cent applied to imports in 1990 was moderate *by developing country stan*dards, it was higher than the low point of 9.7 per cent reached in 1982 before the government raised tariffs to stimulate budget revenue.

High tariffs of between 96 and 231 per cent were in place for imports of certain leather items, transport equipment, beverages, spirits and food-stuffs. Moreover, only 3 per cent of all tariff items were *guaranteed not to rise.*

Import licensing, local content requirements, tax and duty exemptions, concessional credits and price supports interacted in a complex and not always coherent manner, Gatt complains. Today more items are subject to import licensing than the number notified when Thailand joined Gatt in 1982.

Nevertheless, the government in place after February's military coup is persisting with liberalisation. Mr Bunnag told *the Gatt council it was consid*ering a plan which would reduce to six the 36 different *tariff rates currently applied* and hoped to replace the current business tax with a val*ue-added tax early next year.*

Import restraints on automobile engines have been *removed and duties on imports* for the automobile industry are expected to be lowered. A fur*ther step in deregulating for*eign exchange business was taken in April.

Finally, the Gatt review points out, Thailand has offered in the Uruguay Round to widen the scope of its tariff bindings from 3 per cent to about a half of all tariff items, and to improve access to its market in several other areas in return for freer farm trade and the removal of constraints on textile exports.

Realisation of this deal would promote Thailand's structural adjustment and make its market even more attractive for foreign investors and traders, Gatt says.

French group in Hungarian sugar deal

By Nicholas Denton in Budapest

BEGHIN-SAY, the French sugar company, took over three Hungarian refiners yes*terday, in a deal believed to be* worth more than $40m (£24.3m).

The company, controlled by Italy's *Ferruzzi* group, acquired 40 per cent stakes in the Szolnok, Szerencs and Matravidek state sugar factories and took an option to raise its shareholding to 60 per cent, for which the usual control premium would be paid.

Yesterday's deal comes after investments in Hungarian sugar refining by Austria's Agrana, Britain's Tate & Lyle *and France's St Louis.* Mr Lajos Csepi, managing director of the State Property Agency, *the privatisation authority,* said yesterday that about two-thirds of the sugar industry was now privatised.

Beghin-Say's Hungarian venture is part of an ambitious programme of expansion in east European food processing. The company recently issued FFr3bn (£300m) of new shares and convertible bonds in what was seen as an attempt to finance expansion in the east *German and Hungarian* sectors.

Mr Thierry Chereau, Beghin-Say managing director, *said:* "As a group focused on the transformation of agricultural products, it is natural to take positions as they open in eastern Europe."

Cerestar, a subsidiary of Beghin-Say, is planning a DM250m (£85.3m) investment in a corn starch factory in east *Germany. Beghin-Say is also* in talks on a further investment in Hungarian food-processing, *according to Mr Csepi.*

St Louis is to take a 34 per cent stake in the Kaba sugar works in partnership with Tate & Lyle. Kaba accounts for about 15 per cent of Hungary's annual sugar production of 520,000 tonnes.

Production at the three factories now controlled by Beghin-Say makes up 40 per cent of the Hungarian total. Agrana has acquired two of Hungary's 12 sugar plants.

Turkish sell-off suffers setback

TURKEY'S privatisation authority has failed *to over*turn a court decision suspending the sale of five state cement companies to the French group Société Ciments Français, writes John Murray Brown in Ankara.

The court decision casts further doubt over Turkey's privatisation programme which, in 1991, targets to raise TI 2,500bn (£355m) from the sale of minority or block stakes in 20 state companies.

China eges to capitalism with ne stock exchange

By Angus Foster in Shenzhen

CHINA'S experimented with capital markets received a needed boost yesterday with the formal opening of the country's second stock exchange in Shenzhen, across the border from Hong Kong.

The opening is significant because it suggests that Shenzhen, China's first and most developed special economic zone, has gained official backing for its experiment with economic reform. The market could add impetus to calls by foreigners to be allowed to invest in Chinese stocks, either directly or through special funds.

Shenzhen's exchange has six listed stocks and a daily turnover of about Rmb4m (£457,000). But it has the first listed foreign joint venture, Shenzhen Champaign, a trading and property group with North American links which was quietly given permission to go public in March.

Shenzhen's exchange has been operating unofficially since last year. But China's central authorities refused to recognise it before the official opening of the Shanghai exchange last December.

The authorities were also concerned about severe speculation in Shenzhen after share prices more than doubled in three months last year. A series of heavy-handed measures was then introduced to rein back the market, which went into a 30 per cent mini-crash in January. Some of the measures remain in place. Government and military officials, who were implicated in last year's speculation, are now prohibited from owning shares.

Despite Shenzhen's approval, China's senior leaders say they remain committed to building markets "with socialist characteristics" and this will lead to contradictions. In Shenzhen, one such oddity is that no individual can own shares worth more than Rmb50,000.

Zhang Hongyi, vice-mayor, said Shenzhen hopes a further 10 companies can be listed this year, including some joint ventures with foreign capital. Zhang also said the exchange was studying whether to set up a special Shenzhen fund for foreign investors or allow listed companies to issue special shares for foreigners denominated in renminbi, the Chinese currency.

But Beijing seems determined to monitor Shenzhen closely, so all these plans may take longer to implement than the city hopes. Some Hong Kong investors say they would be keen to buy into the Shenzhen market, although they are worried about poor standards of accounting, disclosure and settlement.

Dealings have been centralised into a small trading hall on the 15th floor of one of Shenzhen's growing number of high-rise office blocks. A total of 14 securities houses have been approved. Settlement is due on the third day after a bargain, although an exchange official admitted it sometimes takes more than a week for delivery.

The opening may lead to an intriguing battle between Shenzhen and Shanghai to decide which market is allowed to develop more rapidly. Shanghai has eight listed company stocks but is concentrating on government and state enterprise bonds, which account for up to 80 per cent of market turnover. Shanghai has the backing of several senior reformist Chinese leaders who want the market to develop to help fund a $50bn (£30.4bn) Pudong industrial development project in the east of the city.

China's communist leaders are allowing bond markets to develop first because they are easier to control and raise fewer ideological problems. They also help to mobilise personal savings, officially estimated to be $135bn, which the inefficient banking system has been unable to attract.

Kurds to press for democracy in Iraq

By Edward Mortimer

IRAQI Kurdish leaders have assured other opposition groups that they will insist on democracy for all Iraq as a precondition for any agreement with the Baghdad government on Kurdish autonomy.

The pledge was contained in a letter from the political bureau of the Iraqi Kurdistan Front, including Mr Massoud Barzani who conducted the negotiations in Baghdad, to a joint meeting of London and Damascus-based opposition "action committees" which finished in Damascus on Monday.

The meeting accepted an invitation to send a four-man delegation to Kurdistan, representing the main currents of non-Kurdish opposition in Iraq.

In its letter, the Kurdistan Front confirmed that Baghdad had so far not made any "serious proposals" on democratisation, and that therefore the draft agreement as it stands is not acceptable.

The Damascus meeting called on the United Nations to send observers to all parts of Iraq to report on violations of human rights, and to become directly involved in the distribution of food and medicine, employing thousands of Iraqis for that purpose.

The costs, it said, should be paid for out of frozen Iraqi assets in the west.

In addition, "safe havens" should be set up all over Iraq, duplicating the arrangements being worked out with the UN for the Kurdish area after western forces have withdrawn.

The meeting urged that President Saddam Hussein should be put on trial for war crimes.

All groups represented – including communists, dissidents Ba'athists and Islamic parties as well as pro-western liberals – agreed on a strategy of seeking international support for efforts to overthrow President Saddam, rejecting arguments that this would infringe Iraqi sovereignty or play into the hands of "imperialism".

This strategy appeared not to the taste of their Syrian hosts. At a meeting with some of the delegates, Mr Abdulhalim Khaddam, the Syrian vice-president, warned them that imperialists were seeking to destroy Iraq as a country, and that "we as Arabs should preserve Iraq as an independent state, with its territorial integrity".

For that reason a general conference of the Iraqi opposition, which the meeting decided to call within the next six months in order to elect a united leadership, will probably be held in Europe rather than the Middle East.

Lebanese soldiers cut up the Palestinian flag yesterday on capturing the village of Qraiyeh in south Lebanon after fighting which left 42 people dead and 63 wounded. Lebanese troops shelled the Palestinian refugee camps of Miyeh Miyeh and Ain el-Hilweh yesterday to dislodge thousands of PLO guerrillas. Meanwhile, a sentry at an Israeli base opposite the Syrian border on Mount Hermon was killed in an apparent guerrilla attack.

Kuwait delays inter-bank payments

By Victor Mallet, Middle East Correspondent

KUWAIT yesterday postponed at the last minute its plan to settle the backlog of inter-bank transactions between Kuwaiti financial institutions left over from August 1 last year, the day before the Iraqi invasion.

After much indecision the central bank had finally settled on yesterday as the date for settling an estimated $1bn of outstanding interbank debts, principally in dollars and Kuwaiti dinars. But just as some transactions were about to be effected, the settlement plans were delayed indefinitely following a meeting of bankers at the central bank.

National Bank of Kuwait, the only commercial bank which made profits before the war without central bank support, was known to be one of the banks ready to receive and pay outstanding inter-bank balances yesterday.

Bankers had been hoping for the settlement to go ahead so that an interest rate structure could be restored for the Kuwaiti dinar, which would allow them to form a coherent policy for domestic lending, and to provide longer-term forward cover to importers.

"Everything is not going as planned. Settlement has been postponed," said one banker yesterday. "One would assume that the funds were not available."

The central bank, faced with heavy demand for dollars from anxious Kuwaitis, has already delayed the lifting of foreign exchange controls until August 1.

● Kuwaiti police said yesterday that an appeal to residents to surrender weapons left over from the Gulf war before a Tuesday midnight deadline had failed, Reuter reports from Kuwait City. The police said they would have to rely on informers to root out arms still in private hands.

Australia pressed to speed economic reform programme

By Kevin Brown in Sydney

AUSTRALIA will come under pressure to speed its economic reform programme when the Australian and New Zealand trade ministers meet in Wellington tomorrow.

The talks are the first step in a review of the eight-year-old Closer Economic Relations (CER) treaty between the two countries, which laid the groundwork for a single Australasian market.

Progress towards free trade in goods was completed last year, with abolition of the last bilateral tariff barriers and quotas. However, Australia has resisted New Zealand pressure for free trade in services.

Mr Philip Burdon, the New Zealand trade negotiations minister, is expected to give priority to progress towards a single market in aviation and shipping. Air New Zealand, the privatised New Zealand airline, has long wanted access to the Australian domestic market, which was deregulated last year but remains closed to overseas competitors.

Australia's Labor government is preparing to sell stakes in Qantas and Australian Airlines, the two government-owned airlines, and is keen to delay any further upheaval in the market.

Canberra is also unwilling to respond to New Zealand demands for the dismantling of

Blewett: 'the nitty-gritty'

a bilateral trade union agreement restricting trans-Tasman shipping to ships with New Zealand or Australian crews. New Zealand argues the high cost of the shipping agreement is undermining the economic benefits of radical reform of the New Zealand docks, and reducing the competitive advantage of New Zealand exports.

The Australian government wants to delay shipping reform until its own tortuous waterfront reform programme has been concluded. The programme is currently stymied by the refusal of the Industrial Relations Commission, the national labour court, to approve a deal thrashed out between the government, the unions and employers.

Australia is less hostile to calls for harmonisation of business law and corporate regulation, which would help New Zealand businesses penetrate the Australian market.

Dr Neal Blewett, the Australian trade minister, said the talks would concentrate on "nitty gritty" issues rather than a "grand, over-arching view" of the CER agreement. That will follow in further review meetings to be held next year.

The two ministers will also confirm their common approach to negotiations in Gatt's Uruguay Round on liberalising trade in agricultural products.

Both countries are members of the Cairns Group of agricultural producing nations, which meets in Brazil next week to discuss ways of increasing pressure in the Gatt talks for agricultural free trade.

Dr Blewett said there were "real signs" the EC was willing to grapple with the need for reform, but Australia remained concerned about opposition from some member states, particularly France. The Brazil meeting of the Cairns group is intended to put pressure on the leaders of the G7 group of industrialised nations, who meet in London later this month.

Allies plan tougher action to open Iraqi nuclear sites

By Lionel Barber in Washington

THE US and Britain were yesterday planning to step up pressure to force Iraq to open its suspected nuclear sites to United Nations inspection.

The two allies are expected to argue at a UN Security Council meeting due to convene tomorrow that Iraqi intransigence amounts to a flouting of UN authority that cannot go unchallenged. The Bush administration is not ruling out military force at this stage, but the preference is to see whether further diplomatic pressure can be put on Iraq to account for and destroy its nuclear-related equipment and unconventional weapons programme.

Among options under review are a further UN resolution seeking to deliver a collective warning to Iraq, strengthened UN inspection teams, or an open-ended threat to Baghdad which would fall short of an ultimatum. A UN team headed by Mr Hans Blix, director general of the International Atomic Energy Authority, arrived in Geneva yesterday to report on its unsuccessful effort to track down equipment suspected as being for manufacture of weapons-grade uranium.

The UN team obtained some assurances from the Baghdad government about future access to suspected nuclear sites, but it declared as unsatisfactory Iraq's explanation for the disappearance of material at the al-Fallujah site.

The crisis erupted last Friday, when Iraqi troops fired in the air as UN inspectors filmed a truck convoy suspected of ferrying nuclear processing equipment out of the site.

The Pentagon has drawn up contingency plans to bomb suspected nuclear sites in Iraq. But US officials conceded that Iraq has deliberately dispersed nuclear-related equipment around the country – in contrast to 1981 when Israel bombed a nuclear reactor at Osirak and set back Iraq's nuclear programme several years.

British and US officials remain dubious of President Saddam Hussein's good faith when offering to comply with UN Resolution 687 ending the war and requiring Baghdad to disclose not only its nuclear capabilities, but also its ballistic missiles and unconventional weapons. "The nuclear stuff is a virility test for the Iraqis," said one official.

US officials also noted Iraq has defied continued UN efforts to get full accounting of its weapons programmes.

In contrast to the worrying picture of Iraq's defiance of the UN, President George Bush again celebrated the Gulf war victory, bestowing the Presidential Medal of Freedom on Gen Colin Powell, chairman of the joint chiefs of staff, and General Norman Schwarzkopf, allied commander-in-chief.

Mr Bush also awarded the Medal of Freedom, the highest civil award the US can give, to Mr James Baker, US secretary of state, Mr Dick Cheney, defence secretary, and Mr Brent Scowcroft, national security adviser, for their advice and guidance during the war.

UK suspends aid to Sri Lanka

By Alexander Nicoll, Asia Editor

BRITAIN yesterday suspended aid to Sri Lanka and restricted arms sales in protest against the expulsion last month of Mr David Gladstone, the high commissioner.

Sri Lanka had accused Mr Gladstone, who had criticised the country's human rights record, of interfering with local government elections.

Mr Mark Lennox-Boyd, a foreign office minister, told Mr DS Attygalle, Colombo's high commissioner, in London yesterday that the action was "wholly unjustified."

Britain, which had been set to grant about £13m in aid to Sri Lanka this year, will make no new aid commitments until a new high commissioner was in place in Colombo, and even then to review any aid proposals in the light of the human rights situation at the time.

The Foreign Office said it will adopt "a more restrictive policy" on arms sales.

It intended Mr Gladstone's successor be appointed quickly "to ensure the government's voice continued to be as effective as possible, especially on human rights matters".

Housing may spur recovery

AUSTRALIA appears to be heading for a housing-led economic recovery, according to figures released by the government yesterday, Kevin Brown reports. The figures showed building approvals in May up 10.6 per cent, seasonally-adjusted, on the previous month to their highest since March 1990. Approvals rose by only 0.3 per cent in April.

By value, building approvals were up 18.4 per cent, seasonally adjusted, after a fall of 18.5 per cent in April.

The figures are good news for the government, which has been predicting a housing-led recovery. Economists said the rise in approvals was consistent with a broader recovery in the second half of the year. Mr John Kerin, federal treasurer, has said the economy was showing more signs of recovery than on May 30, when Mr Paul Keating, his predecessor, saw unemployment rising to 10.75 per cent.

Israel to cut West Bank and Gaza taxes

ISRAEL WILL shortly cut income tax rates in the West Bank and Gaza Strip, a source of bitter complaint by Palestinians, as part of an effort to improve economic conditions in the occupied territories, a senior military officer said yesterday, Hugh Carnegy reports from Tel Aviv.

The top rate of income tax will fall from 55 per cent to 48 per cent, the same level as that in Israel, Brig Gen Fredy Zach, the Ministry of Defence's deputy co-ordinator for the territories, said in an interview.

The level at which people start paying tax will rise from around Shk300 (£75) per month at present to around Shk700 per month – still only half the exemption which Israelis are allowed – and the current system of 11 tax brackets will be reduced to five.

The tax laws in force in the West Bank and Gaza date back respectively to Jordanian and Egyptian rule.

Gen Zach said the new rates would be finalised and announced within weeks. They are the latest in a series of measures adopted by the Israeli authorities to encourage indigenous economic development in the West Bank and Gaza which were hard hit by the Gulf crisis and a fall in the numbers of Palestinians able to work in Israel.

Other measures include swifter granting of business licences, lifting restrictions on bringing in funds from abroad, a three-year tax holiday for new industrial ventures, approval for expansion of local banking services and subsidies for some building and agricultural projects.

Lagos 'created special fund' for oil profits

NIGERIA, which expelled a Financial Times correspondent after denying his report about windfall oil cash gleaned during the Gulf crisis, created a special fund for such profits, according to Mr Alex Akinyele, information minister, Reuter reports from Lagos.

He said in a statement published in local newspapers yesterday that the foreign currency stabilisation fund, created last September during the Gulf crisis when oil output and prices were higher, peaked at $2.1bn (£1.3bn) in March.

The statement followed the weekend expulsion of Mr William Keeling, Lagos correspondent for the FT, who was accused by the military government of writing articles intended to cause disharmony among Nigerians.

Mr Keeling quoted donor agency economists in an article published on June 27 as saying that at least $3bn of windfall receipts, estimated to total $5bn, were not accounted for in central bank figures.

Mr Akinyele, who earlier called the article "totally false", said in his statement a first transfer of $234.6m was made last October to the fund, set up to conserve temporary excess receipts from oil over budgeted levels. "This grew steadily in subsequent months, reaching a peak level of $2.1bn at the end of March 1991."

Democratic forces gatecrash West Africa's political party

Heads of state at the Ecowas summit in Abuja this week will be trying to guard their backs, writes William Keeling

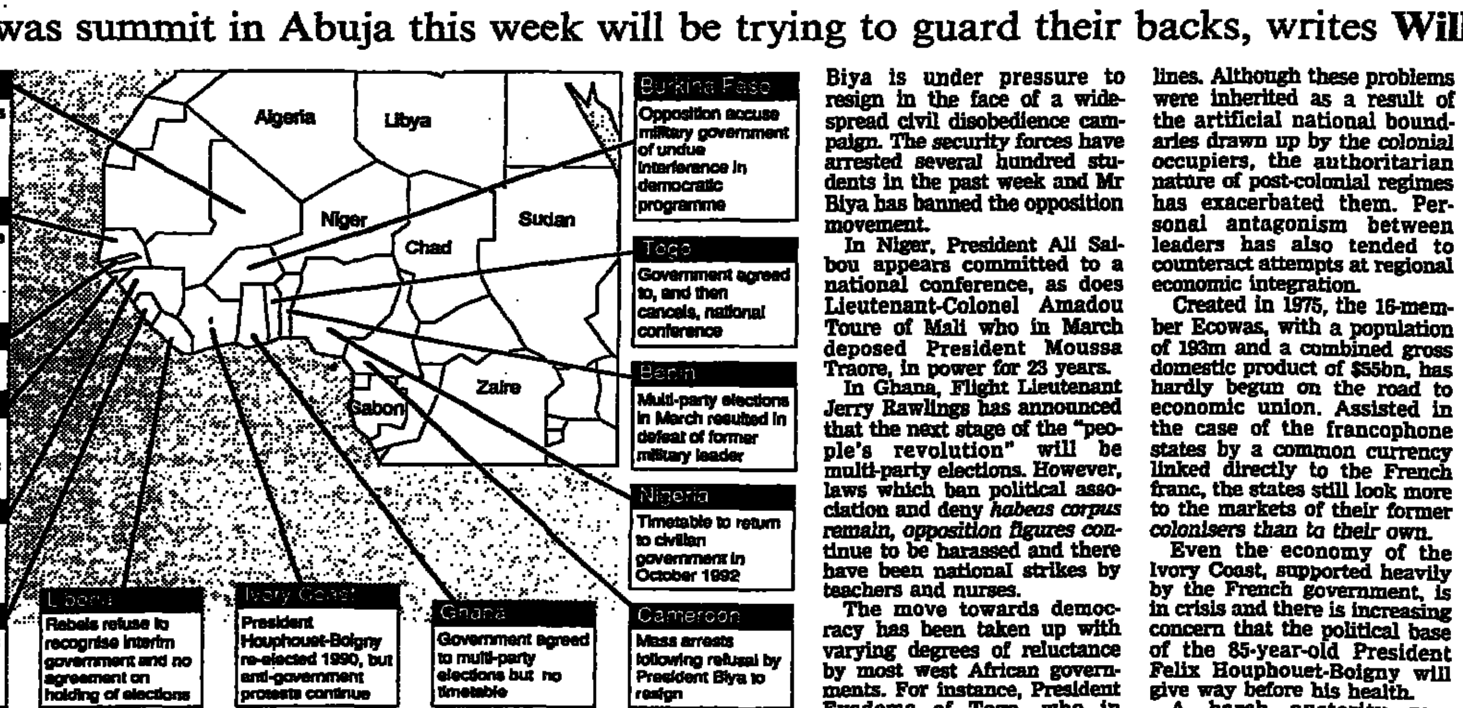
WEST African leaders begin a three-day summit in Abuja, the capital of Nigeria, today with the region facing increasing political turmoil. Although they have come together under the umbrella of the Economic Community of West African States (Ecowas), their agenda is likely to be politically driven by the issues of regional security and the winds of democratic change.

How many of the leaders will brave being away from home is uncertain.

In the past 10 months the leaders of Benin, Mali and Liberia have, respectively, been voted out of office, deposed by the military and murdered. And throughout the region there are popular movements demanding a return to democratic rule.

The winds of change in part reflect superpower rapprochement but, as the civil war in Liberia illustrates, the result is not necessarily a smooth transition to civilian rule but can be turmoil.

The burden carried by many west African countries is of governments based on the personal rule of leaders who represent clique interests. Liberia is the most graphic example of the consequences of despotic rule with the civil war resulting in the death of President Samuel Doe but not in the



emergence of a new leader.

The main rebel commander, Mr Charles Taylor, has been barred from entering the capital Monrovia by the five-nation force – made up of troops from Nigeria, Ghana, Guinea, Sierra Leone and Gambia – which intervened in the war last August.

Mr Taylor is under pressure to accept the authority of an interim government set up under the aegis of the force and to agree to the holding of multi-party elections. Until now Mr Taylor has been reluctant to accept these conditions, pointing out that the leaders of four of the nations contributing to the force themselves seized power through the gun.

In the last four months in neighbouring Sierra Leone the already weak administration of President Joseph Momoh has been threatened by rebel incursions. Only days before they began, he conceded to demands for a multi-party political system.

In Cameroon, President Paul Biya is under pressure to resign in the face of a widespread civil disobedience campaign. The security forces have arrested several hundred students in the past week and Mr Biya has banned the opposition movement.

In Niger, President Ali Saibou appears committed to a national conference, as does Lieutenant-Colonel Amadou Toure of Mali who in March deposed President Moussa Traore, in power for 23 years.

In Ghana, Flight Lieutenant Jerry Rawlings has announced that the next stage of the "people's revolution" will be multi-party elections. However, laws which ban political association and deny habeas corpus remain, opposition figures continue to be harassed and there have been national strikes by teachers and nurses.

The move towards democracy has been taken up with varying degrees of reluctance by most west African governments. For instance, President Eyadema of Togo, who in domestic public appearances is accompanied by praise-singing dancing-girls, agreed to a national conference to determine the political future of his country – and then cancelled it.

But even if the leaders were willing, the task for many is complicated by divisions along ethnic, religious and language lines. Although these problems were inherited as a result of the artificial national boundaries drawn up by the colonial occupiers, the authoritarian nature of post-colonial regimes has exacerbated them. Personal antagonism between leaders has also tended to counteract attempts at regional economic integration.

Created in 1975, the 16-member Ecowas, with a population of 193m and a combined gross domestic product of $55bn, has hardly begun on the road to economic union. Assisted in the case of the francophone states by a common currency linked directly to the French franc, the states still look more to the markets of their former colonisers than to their own.

Even the economy of the Ivory Coast, supported heavily by the French government, is in crisis and there is increasing concern that the political base of the 85-year-old President Felix Houphouet-Boigny will give way before his health.

A harsh austerity programme, forced by the fall in price of commodity exports, has been implemented. Then there has been the president's personal expenditure: the donation of a $133m replica of St Peter's basilica to his home town of Yamassoukro has been widely criticised.

Endemic corruption and a half-hearted approach to democracy have also characterised Nigeria's military administration. The government of General Ibrahim Babangida banned the 13 political parties which applied for registration and created two of its own.

Less than 20 per cent of the electorate turned out for local government elections last December and popular apathy has greeted the planned handover of power to civilian rule next year.

Last year a failed coup threatened to plunge Nigeria into a second civil war.

After in-camera trials, 69 alleged coup plotters were executed. Religious tension broke into violence again in April when up to 800 people were killed in Bauchi state in fighting between Moslems and Christians.

The issues of secession and religion have also plagued Cameroon, with President Biya struggling to maintain peace between the French- and English-speaking regions, as well as between Moslems and Christians.

West Africa's leaders will find it increasingly hard to resist pressure for democratic reform. Only last year the dancing women that surround Togo's Gen Eyadema were singing, "Multi-party democracy? No! No! No!". The political tune in west Africa is changing fast.

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OECD ECONOMIC OUTLOOK

The condition of Europe's largest economy causes concern

German interest rates expected to rise

INFLATIONARY and fiscal pressures associated with developments in eastern Germany are expected to result in a further rise in German short-term interest rates before the year-end, the Organisation for Economic Co-operation and Development said.

In its latest economic outlook, the agency said it sees no easing in short-term rates in 1992, while long rates, after declining earlier this year, are unlikely to ease further until there are clear signs that Germany's budget deficit is on a declining path.

The condition of Europe's largest economy after union is a matter of thinly veiled concern for the economists at the 24-nation Paris-based think-tank. While the OECD believes that most of the likely decline in production in eastern Germany has already occurred, it sees no turnaround in economic activity before the end of this year or early 1992.

The OECD is especially disappointed that wages in eastern Germany are increasing rapidly from levels substantially out of line with productivity. "It now seems unlikely that wage-equalisation will be substantially achieved by the middle of the decade," the OECD said. "Against this background it seems unlikely that effective unemployment (adjusted for short-time workers) in eastern Germany could be kept below 2.5m in the coming 18 months."

● Elsewhere in its report, the OECD expects the US Federal Reserve will shift to a less accommodating stance of monetary policy late in 1992 to head off inflationary pressures.

It argues that the US recession will turn out to be shallow, and followed by growth above 3 per cent through 1992 that would exceed the US growth rate of potential output of 2.25 per cent.

The Fed will have to act late next year because there will be only mild downward pressure on inflation. It sees the underlying US inflation rate dropping to around 4 per cent by the end of next year, when economic output may again be close to potential.

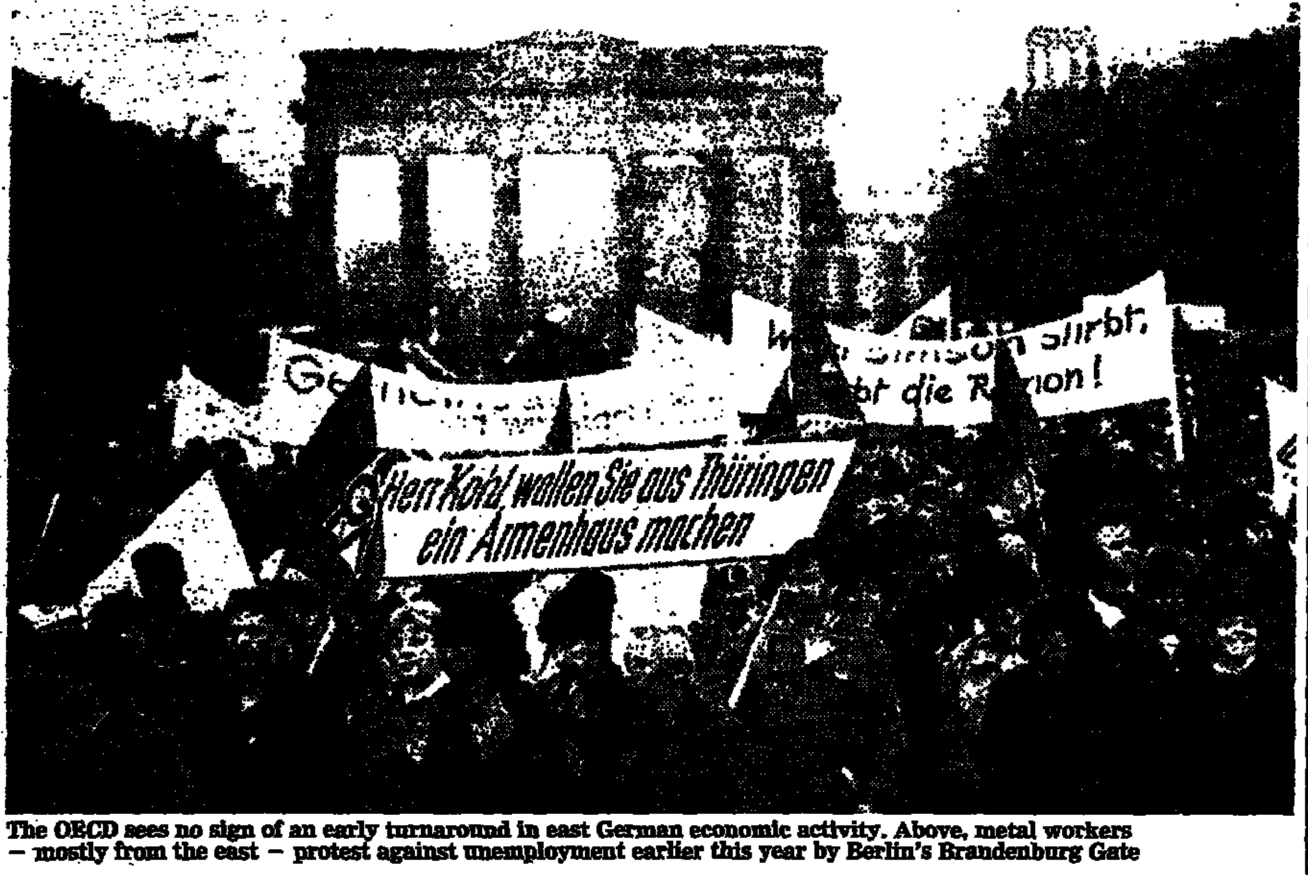
● Japan will continue to be the fastest growing big OECD economy with gross national product projected to rise by 3.5 per cent both this year and next. During 1992, the OECD sees growth returning near to potential rates of around 4 per cent a year.

● The outlook for eastern Europe remains bleak. Although the region is outside the OECD, the organisation takes a close interest in its economic welfare.

The good news from the organisation is that it can see the "first signs" that the economic reform programmes implemented by Hungary, Poland and Czechoslovakia are beginning to yield results.

The bad news is that output fell in all central and eastern European countries last year and will continue to fall in 1991. One serious problem is the collapse of trade among the eastern European countries and with the Soviet Union. This fell by between 20 and 30 per cent last year and a further drop of 30 to 50 per cent is expected in 1991.

The OECD urged its member governments to reduce barriers to imports from eastern Europe.



The OECD sees no sign of an early turnaround in east German economic activity. Above, metal workers – mostly from the east – protest against unemployment earlier this year by Berlin's Brandenburg Gate

Little prospect seen of fall in unemployment in industrialised world

CONDITIONS are favourable for resumed growth in the industrialised world. But the Organisation for Economic Co-operation and Development warns that unemployment, which is high and rising in many countries, is unlikely to decline by much.

In its latest half yearly Economic Outlook, the OECD says that governments will have to take suitable action over a full range of policies to ensure and sustain the recovery.

● Monetary restraint will be an important weapon in the policy arsenal to prevent the expected economic turnaround developing into renewed overheating.

● It will also be important that governments meet their medium-term commitments to reduce budget deficits and so ease upward pressure on interest rates as demands on savings grow.

● More work will be needed to remove structural obstacles to flexibility on labour markets.

● The "immediate priority", according to the OECD, is to make rapid progress in the Uruguay Round of trade liberalisation talks, including reform of agricultural policies.

This latest assessment of world economic prospects by the Paris-based think-tank

REPORTS BY PETER NORMAN

comes at the end of six months in which growth "virtually ceased" in the 24-nation OECD area as a whole. This was the weakest economic performance in the developed industrialised world since 1982. Although Germany and Japan continued to grow strongly, the US, Britain, Canada and some other countries were in recession.

The OECD, which published the broad outlines of its latest forecasts a month ago, expects growth in the industrial world to recover to an annual rate of around 2.4 per cent in the second half of this year and continue at around 3 per cent in 1992.

But it also believes that unemployment will rise in virtually all OECD countries this year and is likely to increase, or at best stabilise in 1992.

The outlook forecasts that unemployment in the OECD member states will rise to 28.5m by the middle of next year – about 4m more than in 1990.

The average rate of unemployment in the OECD next year could be more than 7 per cent, with 9 per cent in Europe, marking an increase in each case of 1 percentage point from the cyclical lows of early last year.

The OECD expects the US will spearhead the recovery and that the slow-down in growth that it anticipates for Japan and Germany will be limited.

It bases its cautious optimism on a rebound of confidence after the Gulf war, lower interest rates and some easing if inflationary pressures.

The use by governments of "automatic stabilisers" to offset cyclical weakness in demand and a general absence of unwanted inventories should help economies pick up.

In addition it believes that some of the fundamental factors that sustained eight years of expansion until last summer have lost none of their strength. Monetary policy remains a credible anti-inflationary tool. Some previously lax governments appear more determined to exercise control over their budgets in the medium term. Moreover, current account imbalances have declined.

But the OECD sees little reason for complacency. Mr David Henderson, the head of the organisation's economics and statistics department, said in Paris yesterday that the projected return to stronger growth next year will leave a combination of inflation and unemployment rates that give grounds for concern.

The European members of the OECD, for example, are expected to show an average inflation rate of just over 5 per cent and and average unemployment rate of 9 per cent in 1992. It tells these countries, among others, to "exercise sufficient monetary restraint to avoid economies becoming overheated once again".

Indeed, the OECD believes the margin of error involved in easing monetary policy without fuelling inflation is now much lower than at the beginning of the 1980s, even though inflation rates are lower. This means that curing unemployment must depend on structural reform to improve the functioning of labour markets.

Mr Henderson admitted yesterday that such reform is not easy. It involves action at national level to reduce dependency on benefits, for example, or to implement remedialand further education and training for large sections of the labour market, whose skills are inadequate or becoming obsolete.

Internationally, the OECD pleads for more trade liberalisation, saying that this should affect countries outside the OECD as well as in it. It says it is important that OECD governments act in accordance with their oft-repeated intentions to bring the Uruguay Round to a successful close.

It laments that "almost no progress" has been made in

David Henderson: likely that inflation and unemployment rates will cause anxiety

implementing agricultural reform principles adopted by OECD ministers in 1987. Total transfers from taxpayers and consumers to agricultural support are estimated to have reached a record $300bn last year.

Looking ahead, there are plenty of problems. Policies to support so-called strategic technologies and national rules governing cross-border investment are a source of increasing international friction.

Migration across national borders is also beginning to pose difficult problems for some countries.

And despite the OECD's growing ties with nations in eastern Europe and Asia and all the talk of closer international economic integration and globalisation, Mr Henderson, for one, still thinks there is a long way to go.

"Even now, despite all that has happened since the Second World War, including the recent developments which have given rise to all the talk about globalisation, the world economy in June 1991 is clearly further away from full integration than it was in June 1914," he said yesterday.

"This means that the scope for further moves towards integration is very great. . . and also therefore are the potential economic gains associated with it."

OECD Economic Outlook, Number 49, July 1991. From OECD Publications, 2 rue André-Pascal, 75775 Paris Cedex 16. FF110 or £13.50 from HMSO.

GROWTH OF REAL GNP/GDP IN THE OECD
(Percentage changes, seasonally adjusted at annual rates)

	1990	1991	1992
United States	0.9	−0.2	3.1
Japan	5.6	3.5	3.5
Germany	4.5	2.8	2.2
France*	2.8	1.4	2.7
Italy*	2.0	1.7	2.7
UK*	0.6	−1.8	1.6
Canada*	0.9	−1.0	3.1
G7 Total	2.6	1.1	3.0
Other OECD Countries	2.8	1.5	2.3
Total OECD	2.6	1.1	2.9

* GDP.

Britain will show minimal growth

BRITAIN will achieve only minimal growth between now and the end of this year and is set to grow more slowly than all other Group of Seven countries in 1992, the Organisation for Economic Co-operation and Development said.

The OECD forecast that the UK economy will grow at an annual rate of only 0.3 per cent in the second half of 1991, following the sharp recession that began last summer.

Although the Paris-based agency said there are now signs that the fall in output in Britain has reached bottom, it added that real gross domestic product in the first half of this year might have been some 3 per cent below that of the same period last year.

This would be as severe a drop over 12 months as in the 1980-81 recession. The organisation expects the present UK recession to be shorter than that of 1980-81 when output fell for over a year and a half. But it warned that unemployment is likely to continue rising to between 2.6m and 2.7m – around 10 per cent of the labour force.

Britain's weak growth outlook – with real GDP growth projected to remain below the growth of potential output until the end of next year – contrasts with that of the other members of the G7.

Only Germany is expected to achieve growth at an annual rate of less than 2 per cent in the second half of this year. Canada, which like Britain has suffered a sharp recession, is expected to grow by at an annual 2.1 per cent rate in the next six months.

The OECD expects that a revival in exports and consumption will fuel Britain's modest recovery over the rest of this year. Because of companies' poor balance sheets improved cash flow is unlikely to result in higher investment before 1992. It warned that recovery could be hesitant or delayed if the private sector takes longer than expected to reduce its debts.

The bleak outlook for output and employment "entirely reflects the stubbornness of core inflation" in Britain. Although the 12-month rise in the retail prices index might drop to 4 per cent by the end of 1991, total unit labour costs might still be in the 5-6 per cent range.

The OECD complained that nominal wages were responding relatively slowly to high unemployment. But a wide range of wage increases in the 0-12 per cent span implied an important break from past patterns.

It expressed concern that UK productivity levels still lagged behind those of Britain's main competitors and that there appeared to be a high "natural rate of unemployment".

This seemed related to "chronic skill shortages and inadequate training of the labour force". It told the government that "an upgrading of vocational and general training levels would appear essential to raising the general occupational skills critical for enhancing labour mobility, labour market flexibility, and productivity."

A better output and employment outlook would require a prompt adjustment in wage and price setting to Britain's membership of the European exchange rate mechanism. "Although it is still too early to judge, there are some signs that attitudes in this respect may be beginning to change".

HIGHLIGHTS OF THE OECD UK FORECAST
(Percentage changes, seasonally adjusted at annual rates, volume)

	1990	1991	1992	H1,91	H2,91	H1,92	H2,92
GDP	0.6	−1.8	1.6	−2.0	0.3	1.9	2.4
Total Domestic Demand	−0.1	−2.7	1.6	−3.1	−0.1	2.0	2.7
Private Consumption	1.0	−1.0	1.6	−1.0	1.2	1.6	2.0
Industrial Production	0.9	−1.2	1.4	−1.6	0.5	1.5	2.1
Gross Fixed Investment	−1.9	−9.4	1.0	−10.0	−3.4	2.0	3.6
Consumer Prices‡	4.7	6.0	4.5	6.8	5.3	4.4	4.0
Exports*	4.8	−0.2	4.9	−1.1	4.5	5.0	5.0
Imports*	1.6	−3.2	4.7	−4.7	2.8	5.0	5.8
Current Balance ($bn)	−22.7	−11.0	−12.0	−6.0	−6.0	−6.0	−6.0
Unemployment Rate (%)	5.5	8.2	9.6	7.6	8.8	9.6	9.5

*Goods and services; ‡ National accounts implicit private consumption deflator.

Warning on off-budget liabilities

OECD member states are becoming exposed to large contingent liabilities through the widespread expansion of financial guarantees, special credits to business and substantial export-credit guarantees, the OECD warned.

The possible future costs of these programmes are not immediately visible and reliance on past loss rates to predict future losses "can result in unpleasant surprises".

Such off-budget liabilities can lead to public debt levels much higher than planned.

The OECD is clearly disturbed by the experiences of:

● The US, where the budget deficit was pushed up by the cost of financing the Resolution Trust Corporation (RTC), set up to deal with losses of failed savings and loan institutions;

● France, where the government has had to increase budget outlays this year by FFr5bn (£500m) to FFr6bn to cover losses by Coface, the publicly owned export credit agency.

● Germany, where the loan guarantee activities of the Treuhandanstalt represent a similar potential burden.

AMERICAN NEWS

Argentina's trade union leaders break with Menem government

By **John Barham** in Buenos Aires

ARGENTINA'S trade union leaders have broken their alliance with President Carlos Menem's Perónist government. Three veteran trade unionists, angered by Mr Menem's departure from Perónist ideals, plan to form an opposition party to fight mid-term congressional elections due in September and October.

Mr Menem is scrapping economic policies and union privileges introduced by General Juan Perón in 1945.

He has undermined the unions as no previous president has dared and wants to reform the rigid labour market. He is also privatising state-owned companies and the Labour Ministry has ruled that wage indexation is illegal. Worst of all for his opponents, Mr Menem has ordered independent audits of corrupt union welfare organisations.

The president says Gen Perón would adopt the same policies were he alive today. Mr Lorenzo Miguel, the grand old man of Argentine trade unionism, retorted: "I am on the side of the Perón of 1945." He has worked to block reform legislation in congress.

The three leaders, Mr Luis Barrionuevo, Mr Saúl Ubaldini and Mr Miguel, have buried their differences to form an anti-government alliance. They are also trying to reconstitute a Peronist union grouping known as the 62 Organisations.

Mr Barrionuevo was head of ANSSAL, a government-run union welfare organisation, and a fervent supporter of Mr Menem until he was fired in January after a bitter round of government infighting. He has become a vitriolic critic of Mr Menem.

Mr Ubaldini, who heads a dissident union umbrella organisation, attacked government policies from the outset, but suffered from Mr Menem's success in drawing unions away from his organisation to a pro-government grouping.

Mr Miguel, leader of the powerful UOM metalworkers' union, until recently sought accommodation with Mr Menem. He is outraged by the government's plan to privatise SOMISA, a giant loss-making steel mill and is supported by the oilworkers' union, which is upset by the gradual privatisation of YPF, the government oil company.

● Argentina'trade surplus fell 40 per cent in the first two months of 1991 to $589m (£359m), with exports of $1.48bn and imports of $891m. The government estimates a further 48 per cent decline in the March surplus to $445m.

CBS alleges Skinner abused privilege

CBS NEWS has claimed that Mr Samuel Skinner, US transportation secretary, took more than $40,000 (£24,390) worth of flying lessons on government aircraft with instruction from government pilots, all at taxpayer expense, Reuter reports from New York.

The report on Mr Skinner was the latest in a series of allegations concerning abuse of executive privilege by Bush administration officials.

CBS said on Tuesday it had obtained flight records showing that during the past two years Mr Skinner had flown 47 hours as co-pilot on Cessna Citation jets sent aloft "solely for Skinner's lessons".

It said Federal Aviation Authority rules say government aircraft and instructors will not be used to provide basic flight instruction or to substantially upgrade pilot skills.

Mr Skinner said he was only one of 65 department officials who participate in a programme designed to keep them abreast of conditions in air safety and air traffic control.

"I'm very proud of the fact that I fly in the system, that I am the first active pilot to be secretary of transportation," Mr Skinner said. He holds a professional pilot's licence.

Mr John Sununu, President George Bush's chief of staff, has recently come under fire for using military aircraft to go to the dentist and on ski trips. Mr Sununu was ordered to get prior approval for his travel after the controversy.

Past surfaces in Chile copper strike

Workers want more fruits of democracy, writes Leslie Crawford

THE CRY of *Huelga, huelga* (Strike!) that resounded across the copper workers' union hall at Chuquicamata on Sunday signalled the end of the honeymoon between Chile's labour movement and President Patricio Aylwin's 15-month-old government.

Chuquicamata's 9,000 miners have closed down the world's biggest copper mine for the first time in 18 years. The strike promises to be long and bitter, for political rather than economic grievances are at issue.

The militant Copper Workers Federation (CTC), banned from striking at the state-owned mine during General Augusto Pinochet's 1973-1990 dictatorship, has seized on the breakdown of negotiations for a new two-year contract to test its strength and settle old scores.

Top of their hit list is Mr Holger Bannach, Chuquicamata's long-serving general manager. The unions accuse Mr Bannach of ruling the vast copper complex in the middle of the Atacama desert with an authoritarian hand.

Codelco, the state copper corporation, defends Mr Bannach as one of its most experienced executives. Chile's biggest company is under pressure to keep down costs at its ageing mines as its profits – $1.53bn last year – provide a quarter of the Treasury's income. And although the government has refrained from intervening in the conflict so far, it is tacitly backing Codelco's tough stance of no wage increases.

The government regards Codelco's wage negotiations with the 19,000-strong CTC as the key labour test of its four-year term. If it allows Codelco to cave in at Chuquicamata, it will set the benchmark for wage settlements at the state company's three other mines. This in turn might unleash an avalanche of inflationary pay claims throughout the public sector. More than 220,000 workers in Chile are due to negotiate new collective contracts this year.

A winter of discontent could throw the government's conservative macro-economic management awry. Mr Alejandro Foxley, the finance minister, has won accolades of praise from the business community at home and bankers abroad for resisting the populist temptation of fledgling democracies to grant large wage increases upon winning office.

Mr Foxley says he runs a "conservative fiscal policy with progressive ends". But his plans to improve the lot of the 5m Chileans who live below the poverty line do not include large cash handouts for copper workers, the country's "labour aristocracy".

There are signs, however, that the wider labour movement is becoming disillusioned with the government they helped place in power. Hundreds of school teachers marched through the heart of Santiago this week to protest against what they say are starvation wages. Health workers have held similar protests.

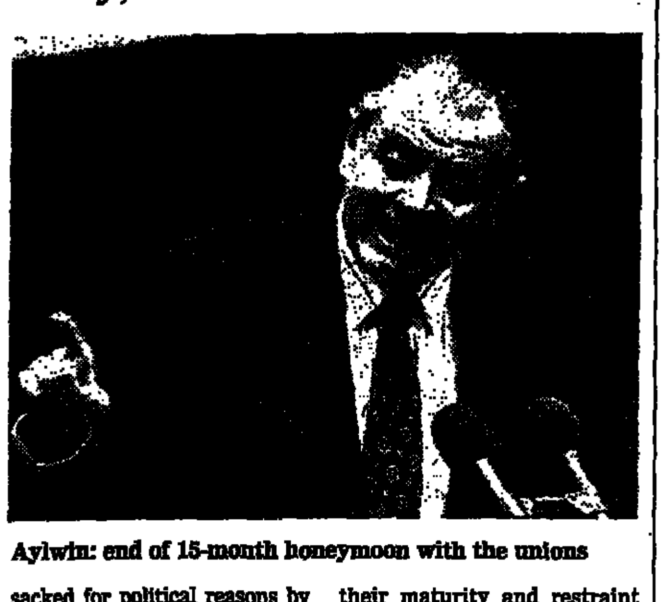
More than 300 former civil servants, a fraction of those sacked for political reasons by the previous regime, are on the third week of a hunger strike to press for their re-instatement. In the private sector, 700 telecommunications workers at Telex-Chile are on strike.

Railway workers are threatening strike action against the transport ministry's plans to privatise freight services. When Mr Carlos Ominami, the socialist trade and industry minister, tried to convince unions recently of why the loss-making state railways needed a large injection of private capital, he was shouted down with cries of "traitor" and *continuista* – an insult reserved for those who champion Gen Pinochet's economic record.

Union leaders, praised for their maturity and restraint during Chile's delicate political transition, have begun to remind the country's new rulers that they bore the brunt of the military regime's repression while most of the political opposition was sitting it out in exile.

Although the present government is gradually reforming the military regime's draconian Labour Code, the unions feel they have been excluded from President Aylwin's "democracy of consensus".

And while many Chileans envy the $1,000-a-month salaries of copper workers, a strike banner at Chuquicamata which read "Yesterday we fought for democracy, today for dignity" has struck a chord of sympathy.



Aylwin: end of 15-month honeymoon with the unions

Germans pledge $3bn investment in Mexico

GERMAN companies have pledged about $3bn (£1.8bn) in investment in Mexico, chiefly in the car, petrochemical and tourism industries, the government said, Reuter reports from Mexico City.

The office of President Carlos Salinas, who is on a European tour that included a stopover in Germany earlier this week, said the investments were a direct result of the state visit.

However, at least one of the projects, a $1bn investment from Germany's Volkswagen for increasing vehicle output in Mexico, had been previously announced.

The president's office quoted Mr Jaime Serra Puche, Mexico's trade minister, telling reporters in Prague, Czechoslovakia, that Germany's Hoechst had pledged to sink $800m into a Mexican petrochemical plant and other German companies had earmarked $650m for the tourism industry.

Mercedes-Benz, the automotive unit of Daimler-Benz, said on Tuesday it was considering building an assembly line for its luxury cars in Mexico to add to its truck production operations here.

The German investment underlines Mexico's growing importance as a production site for carmakers and other industries as the country moves towards a proposed free trade agreement with the US and Canada.

British economic strategy fails to impress OECD

By Peter Norman, Economics Correspondent

THE UK government's handling of the economy yesterday came under renewed attack following publication of a report from the Organisation for Economic Co-operation and Development that points to a very slight recovery this year.

In its latest half yearly Economic Outlook, the Paris-based OECD forecast UK growth of 0.3 per cent at an annual rate between now and the end of 1991, a continued decline in investment and rising unemployment.

Although the OECD said that there were signs that the UK recession "may have reached bottom", it warned that overall economic growth would remain below the growth of potential output until the end of 1992.

Against a background of projected recovery in the industrialised world from near stagnation in the first six months of this year, the OECD expects the British economy will grow by 1.6 per cent next year, below the projected OECD average of 2.9 per cent and forecast EC growth of 2.4 per cent.

Mr John Smith, the shadow chancellor, said the OECD report showed that Britain would have the poorest growth and investment performance among the Group of Seven leading industrial nations and in the European Community this year, and would be bottom of the G7 and second to bottom in the EC in 1992.

With the OECD projecting falling UK employment both this year and next, Britain would be the bottom of the league for job creation in the G7, the EC and in the 24-nation OECD itself, he said.

Government policy also came in for criticism from Mr John Banham, the director general of the Confederation of British Industry, who renewed his call for an immediate cut in UK interest rates last night.

However, Treasury officials said that the OECD forecast tallied fairly closely with the government's own forecast for the UK economy that was made at the time of the March Budget.

They said they saw no reason to change that forecast which envisages an overall drop of 2 per cent in real gross domestic product in 1991 compared with 1990 and growth of 0.75 per cent between the first and second halves of this year.

British Rail announces £42.4m operating loss

By Richard Tomkins and Andrew Taylor

BRITISH RAIL, the state-owned railway network, yesterday announced operating losses of £42.4m in the year to March 1991.

The corporation's financial difficulties, which follow last year's £26.4m operating loss, are a severe setback to governmnet plans to privatise the railways.

BR was also hit by a slump in its property profits which turned the previous year's overall surplus of £269.8m into an overall deficit of £10.9m.

Sir Bob Reid, BR chairman, said: "That is the measure of the change that a year can bring in the fortunes of an industry so dependent on the health of the national economy for its own well-being."

He later told MPs at a House of Commons transport committee that the railway at present was "not an attractive private sector investment".

The further downturn in performance means BR is falling far short of the progress needed to fulfill the main financial targets which the government had asked it to achieve by March 1993.

The results are likely to undermine government attempts to find a buyer for the railways in the forseeeable future without lowering the sale price to politically unacceptable levels.

Car makers expected to match Ford price cuts

By Kevin Done, Motor Industry Correspondent

LEADING UK car makers and importers are expected soon to cut prices of selected models in response to the far-reaching price cuts announced yesterday by Ford, the UK car market leader.

Ford said that in the face of the continuing deep recession in the UK new car market for new cars it was immediately cutting the retail prices of some of its Fiesta, Escort/Orion and Sierra models by £1,000. It is also cutting the price of selected Granada/Scorpio models by £2,000.

The price reduction will be maintained initially for three months, but Mr Derek Barron, chairman of Ford of Britain, said: "We are not saying they will disappear after September. Marketing programmes for the final quarter will be reviewed later."

Ford said it would be funding the price reductions itself, and that dealer margins of around 17 per cent would remain unchanged. Large discounts of 10 per cent to 15 per cent have been increasingly available for negotiation by car buyers with dealers in recent months, said Ford.

It was aiming to gain 26 per cent to 27 per cent of the UK market in the second half compared with 24 per cent in the first five months.

Several other car makers are expected to join the price war shortly in response to Ford's move and the price cuts announced by Nissan UK last week. Vauxhall, which is in second place in the UK market behind Ford, said: "It is our intention to remain competitive".

VAG (UK), the Volkswagen importer, said: "We are very aware that when the market leader makes such significant moves we have to make some response. We are determined to stay competitive."

Rover, which is in third place in the UK market with a share in the first five months of 15.1 per cent and which has just implemented a 2.5 per cent price increase, was the only leading car maker which said it was determined not to be drawn into a price war.

Northern Ireland initiative runs out of time

By Ralph Atkins and Our Belfast Correspondent

MR PETER Brooke, Northern Ireland secretary, dashed hopes yesterday of a settlement being reached at the province's first "round-table" talks for 16 years by deciding to bring the negotiations to a close.

After eight days of talks between local political parties, Mr Brooke appeared determined to make a clean break in order to minimise recriminations.

He emphasised, however, the gains he believed had been made and hoped fresh talks would start, "in due course".

Mr Brooke said his action came because of lack of time, rather than insurmountable disagreement. But it represented another set-back in Northern Ireland's troubled political history. An intervening general election could stall further initiatives for at least a year.

Ten weeks had been set aside for the talks before the meeting of the Anglo-Irish Conference on security issues planned for July 16.

Seven were taken up, however, by wrangling over the arrangements for when the Irish government would enter, including the identity of an independent chairman.

Unionists had said they would have regarded the talks as having ended if the July 16 meeting went ahead and urged its cancellation.

Mr Brooke insisted that the meeting had been agreed by all parties beforehand. One official said he regarded it as a "point of honour". Mr Charles Haughey, the Irish prime minister, was also adamant that it should go ahead.

The "round-table" talks started with discussions on a devolved government in the province and were to have broadened to cover Northern Ireland's relations with the rest of the British Isles.

Mr Brooke said that during the talks, "foundations have been laid for progress in the future which neither cynics nor the men of violence will be able to undermine."

He hoped that if he approached the province's political leaders later this year, "I shall receive the same warmth of welcome that we have received on previous occasions".

The talks' conclusion provoked fears that terrorists will feel their hand has been strengthened. Loyalist paramilitaries called a conditional ceasefire for the duration of the talks.

In the House of Commons, Mr Brooke won praise from Unionist and nationalist MPs for his patience during the talks. In the Commons, at least, the recriminations were limited by Northern Ireland's normal standards.

Mr Ian Paisley, Democratic Unionist leader, accused the Dublin government of "sabotage" and stressed to Mr Brooke the Unionists' continuing antipathy towards the 1985 Anglo-Irish Agreement and the conference process.

Mr John Hume, leader of the nationalist Social Democratic and Labour Party (SDLP), made a thinly disguised attack on the Unionist parties when he said that in future talks should begin without either side setting preconditions.

The SDLP had suggested the 10 week gap between Anglo-Irish conferences should be followed by another gap after the July 16 meeting.

Ulster adrift again on the tide of history

Ralph Atkins assesses the implications of the breakdown of the round-table talks

FOR a full eight days, the under-used Stormont parliament buildings outside Belfast flickered with political activity.

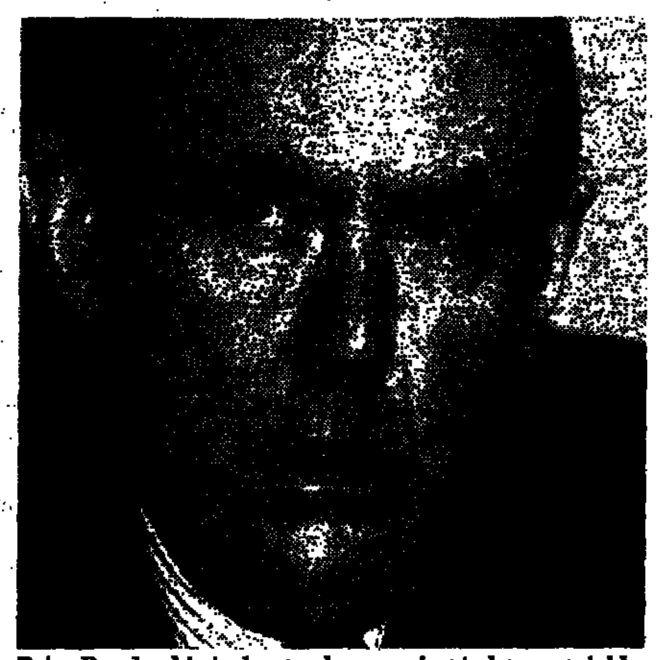
The atmosphere was precious but illusory. A news blackout had been imposed. The energies of Northern Ireland's unionist and nationalist leaders were focused, supposedly, on constructing a new form of government in the province. Yesterday the castles finally proved to have been built on sand.

Even in the most hopeful of circumstances for some time, "round-table" talks failed: Mr Peter Brooke was the most conciliatory of Northern Ireland secretaries; Unionists were willing to negotiate; pressure from the two communities for talks was intense.

Now those, including the terrorists, who argue that the only solutions to Northern Ireland's centuries of troubles are the most radical – undiluted integration with the UK mainland or a united Ireland – have had their hands strengthened.

The accusations and apportioning of blame, has begun.

Mr Brooke's task was always unenviable. The positions of the province's parties showed great chasms. And talks involving the Irish government on Northern Ireland's relationship with the rest of the British Isles – the cause of the seven weeks of procedural delay – had not even started.



Peter Brooke: his task was always going to be unenviable

Unionists focused on reinforcing the province's standing as part of the UK and on Ireland's constitutional claim on the north. There was a desire for Northern Ireland's political leaders to be given real power, but deep splits over what form of devolution.

The Social Democratic and Labour Party, which aspires to a united Ireland by peaceful means, saw talks in the context of the three sets of relationships - between the province's two communities, between north and south Ireland and between London and Dublin. All had to be considered with equal fervour.

In practice, discussions never got beyond those opening positions.

Mr Brooke's initiative was born in the lull in protests that followed the signing of the 1985 Anglo-Irish Agreement. The pact, which gave Dublin a say in the affairs of the province, had incensed an embittered unionist community.

After the 1987 election the public displays of anger subsided. The Northern Ireland Office began to hope its steadfastness would bring Unionist leaders to the negotiating table.

It did, but, as yesterday proved, there had not been the seismic changes in attitudes required for talks to succeed.

Unionists wanted to talk, to find a way out of their self-imposed isolation. But at the same time they were as stubborn as ever in defending the unionist hegemony in the north of Ireland. Even the most minor of points could not be conceded without bluster and delay. They had no experience at negotiating.

The momentum did not start until Mr Brooke's meticulously-crafted speech in January 1990 where he combined hints that the Anglo-Irish Agreement would be re-worked with an observation that there was "enough common ground" for talks to succeed.

Last July, Mr Brooke was on the verge of announcing that a way forward had been found, only to find it stalled by the Irish government's concern over when it would enter talks. The problem was overcome, but never disappeared.

Finally, after 15 months, a deal was thrashed out, with nationalist anxieties helped, perhaps, by a speech Mr Brooke made in November stating Britain "has no selfish strategic or economic interest in Northern Ireland: our role is to help, enable, encourage."

The workings of Anglo-Irish Agreement – most noticeably the regular ministerial conference meetings – were to be suspended for 10 weeks. Suspicions and distrust re-emerged during the seven weeks of delay over procedural arrangements.

A line was drawn over the planned July 16, Anglo-Irish conference. The unionists had been told the 1985 Agreement would be suspended. Now the British and Irish governments expected talks to resume while it came back into operation. Mr Brooke saw agreement on the meeting as a point of honour. It was the final hurdle that finally exhausted his efforts.

What might happen next? Mr Brooke believes talks will resume. But there will have to be a substantial shifts in Northern Ireland's intransigent politics if it is to have a greater chance of success.

Meanwhile, the terrorism continues. Almost 3,000 have died so far in more than two decades of "troubles". The damaging impact on the province's economy will continue. The total price of Mr Brooke's failure is incalculable.

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ADVERTISEMENT

No. 4

The family that matters

Ricoh, the international leader in advanced office automation is to boost its European presence following a high-powered symposium in Venice which proved the strength of the company's combination of innovation, product quality, reliability and continued close attention to the human factor

LIT only by the flickering candlelight from the crystal candelabra in the centuries-old Palazzo Pisana Moretta on Venice's Grand Canal, the magician holds up a silk handkerchief.

A white dove emerges to join her seven companions who had just as mysteriously appeared. The audience, drawn from all over Europe and Japan, murmur their appreciation.

"Magic is an international language," comments Ryuji Anraku, managing director of Ricoh, the global office automation giant. His colleagues, who come from all corners of Europe and form part of the Ricoh family in Europe, agree. Relaxing after an intensive all-day confidential conference, they join in applauding the magician's ancient art.

If magic is truly an international language so, too, is international business.

Ricoh Europe proved that during the Venice meeting, held earlier this month, which drew together its top executives and representatives of all of Ricoh's European marketing and manufacturing subsidiaries and distributors.

As an international leader in advanced office automation, Ricoh is increasing its European presence, particularly in the areas of copiers and facsimile machines.

LOCAL ROOTS IN EUROPE

Recognition of Ricoh's technological strengths is shown by the choice of Ricoh as official sponsor for facsimile systems at the 1992 Olympic Games.

Everyone involved in the Venice conference had already played an important role in establishing Ricoh's place in Europe. For the last decade has brought rapid expansion as Ricoh, which ranks among the top companies in Japan, carefully put down its local roots in the major countries of Europe.

The Ricoh Group in Europe now consists of two factories - in Telford, UK and Colmar, France - seven sales subsidiaries, two financial subsidiaries and 11 distributors. More than 2,400 people are now employed by the European subsidiaries and factories.

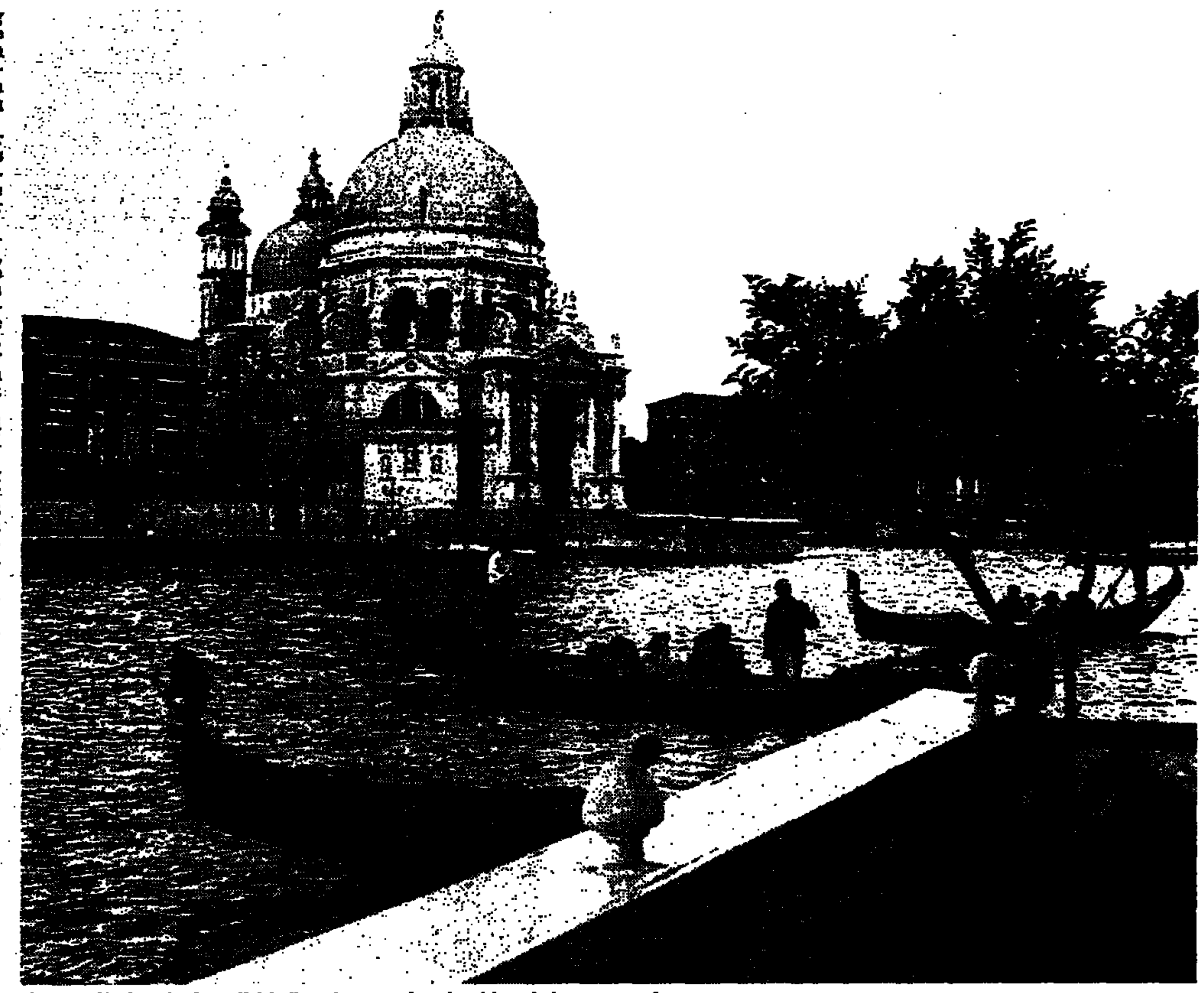
However, past successes were less important than future challenges at the Ricoh European Partners Associates Club (REPAC), the eighth to have taken place but the first to be held in Venice. For as the discussion moved on from the business outlook in Europe, the specific markets for copiers and faxes to the new products planned for the European market in the coming months, it became clear that Ricoh has a number of clear strategic aims and the determination to see them through.

This approach encourages confidence among those at the sharp end of the business - the salesmen and dealers who link the manufacturer with the customer, the most important person in the business.

AN ATTRACTIVE LINE IN NEW PRODUCTS

Mr Castro Lemos, managing director of RIMA, LDA, which handles Ricoh's products in Portugal, says: "I like the fact that Ricoh is a big company, spends a lot on research and technology and is producing the kind of new products which are going to be attractive in the Portuguese market."

The managing director of Doxiadis Bros Graphotechniki S.A. which distributes Ricoh products throughout Greece, agrees. Says Mr Chrys Doxiadis: "Ricoh is a good name to sell. Although the market for copiers and faxes in Greece is not very big yet, we have quite a big penetration already."



Timeless Venice: the beautiful Italian city proved an inspiring choice as a conference venue

So what are the main strengths that Ricoh can offer to its distributors and dealers, and through them, its customers in Europe?

First, Ricoh Europe can draw on global strengths. Established in 1936 in Japan, Ricoh has become an international group operating not only in Europe, but also in North America, Asia and the Pacific.

Through 127 subsidiaries worldwide, Ricoh employs more than 37, 000 employees, eight research institutes and 24 modern manufacturing plants.

A LONG HISTORY OF TECHNOLOGICAL BREAKTHROUGHS

With the process of localisation, Ricoh has generated jobs, markets and increased prosperity. In Europe alone, some 700 employees work at Ricoh UK Products plant at Telford in England's West Midlands and currently about 500 at Ricoh Industrie France's Colmar plant. Next month Colmar will employ a further 160 at the most up-to-date thermal paper-producing factory in Europe. This will further meet the appetite of a market which is growing at more than 20% a year.

Secondly, Ricoh provides its distributors with the kind of products their customers want by drawing on a history of technological breakthroughs and a current programme of very high spending on research and development.

Ricoh's innovations made it the biggest selling manufacturer of

Teamwork in action: delegates discuss a plan of action

black and white copiers in the intensely competitive Japanese market. The company also created the digital copier market and its Imagio series is still the market leader.

Another example is Ricoh's new FAX 7000L Digital G4, which can fax an A4 sheet of paper on digital lines in a mere 1.5 seconds, seven times faster than most others. By applying Ricoh's digital technology, the Digital G4's high resolution eliminates blur and is virtually free of transmission error.

Ricoh's ingenuity recently won the company its place in the *Guinness Book of Records 1991* for its portable FAX PF1, which is the smallest in the world. European businessmen and women on the move can receive or transmit messages from their car on this ultra-compact, lightweight, notebook-sized machine.

RELIABILITY: THE KEY TO SUCCESS

Nor does Ricoh bring competitive strengths in the fax market alone. Its latest copier technology includes the Digital DS320, which is not simply a photocopier but a copying system for producing and recreating superb high-resolution images. And among the examples of Ricoh's colour technology currently on the European market is the NC100 which can produce no fewer than four high definition colour copies per minute.

Asked to name the most characteristic features of any Ricoh machine and the reaction from the group's distributors is unanimous.

"Reliability," says Turkey's Mr Şölen Arkun, general manager of Bilar Bilgi Ataciari Ticaret AS. "Yes, reliable products," agrees Portugal's Mr Lemos.

But this is only the beginning . . .

Ricoh has an ambitious programme to push ahead in the European market in the three areas of greatest development in the world of copiers and fax technology.

Ricoh sums up the focus for future growth thus:

■ Colourisation: the increasing use of colour in the copier field;

■ Digitalisation: the increasing use of digital technology in both fax and copiers;

■ Networking: the integrating of fax and copier with printers and the desk top computer.

"Colour and digitalisation are undoubtedly the way of the future," says Ricoh Europe's Eric Huygen, deputy general manager based at the group's European headquarters at Amstelveen, just outside Amsterdam in The Netherlands. "The march of colour is unstoppable. Just look at what happened to black and white television sets once the colour television was introduced."

There will still be a place for black and white, of course, but the percentage of colour copiers is set to rise sharply from its present level. The result will be an expansion of the overall market for colour as well as black and white.

RICOH PRODUCTS HAVE THE COMPETITIVE EDGE

As for networking, the process is already happening in Japan where Ricoh has developed machines which will act as fax, copier and printer linked to a computer terminal.

They have not come to Europe - yet. But they are on their way and when they arrive the early technical setbacks involved in their development - "the childhood illnesses" as Eric Huygen charmingly calls them - will belong to the past.

"I think the future looks bright for us," says Mr Beat Oberholzer, president of Cellpack Ltd in Switzerland, who has just returned from a trip to Japan where he had seen many of Ricoh's latest products. "All of us involved in distributing Ricoh products in Europe will have a competitive edge," he adds.

This was a very strong feeling among Ricoh's distributors and dealers gathered in Venice. The beautiful, historic city Venice was a particularly suitable venue, as the hosts were Ricoh Italia S.p.A., the newest member of the Ricoh family, which was fully incorporated within Ricoh Europe only last September.

Ricoh's geographical spread of distributors is now very strong in Europe ranging from Curt Enstrom AB and Carl Lamm in Sweden and Magne Ore AS in Norway to Artaker Buroautomation Hendelsges MBH of Austria, where the 1990 REPAC meeting was held, Eskofot AS of Denmark to Office Technology of Malta.

Most of those attending the Venice meeting have had a long and enduring business relationship with Ricoh. Some, for example, like Greece's Doxiadis brothers and Switzerland's Beat Oberholzer, remember attending the first REPAC meeting in Tokyo way back in 1983. Since wives also attend these events, they have been able to keep in touch not only every year at the conference but during the year as well.

A CLOSE, COMFORTABLE WORKING RELATIONSHIP

"Wives keep in touch during the year. They swap stories about children or grandchildren with friends who may have gone back to Japan or others in Spain or Sweden," says Beat Oberholzer. "When we talk about the Ricoh Family, it is not just talk . . . it is a fact of our lives."

Those involved with the newest member to the family - Ricoh Italia - would agree, for although Ricoh Italia was formed formally on September 26 1990, the company's president Mr Attilio Gechelle's links with Ricoh go back very many years. "And these have been very happy ones," he adds.

In many ways it is an object lesson in the ways in which Ricoh has gradually developed a closer and comfortable working relationship with its distributors.

Originally, Mr Gechelle ran four companies including Vercom, which handled copiers and fax and Repromec, exclusive distributor for Ricoh Office Equipment through some 300 dealers. As the market started to expand, and the company's relationship with Ricoh deepened, the emergence of Ricoh Italia became inevitable.

"It was a natural development," says Mr Yoshihiro Niimura, vice president of Ricoh Italia. Dr Francesco Cavallari, marketing communication manager, agrees. "The process was an evolutionary one."

SERVICE AND BACKUP ARE VITALLY IMPORTANT

Today Ricoh Italia operates from its commercial and marketing centre in Milan, and has a warehouse, training administration and fax centre at Verona. A commercial office in Rome covers southern Italy.

As with every Ricoh distributor, service and backup for customers is vitally important for Ricoh Italia. Given the fact that there are many small companies in Italy, the Ricoh Italia Fax centre at Verona is specially designed to service them with the maximum of speed while not retaining a massive engineering backup structure.

Customers with a problem simply phone through to the Fax Centre and outline it to the duty engineers. "In some 85 per cent of the cases, the problem can be solved over the phone," says Mr Gechelle.

With cases which cannot be so easily handled, the engineer will already have a very good idea of what needs to be done before he sets out to solve the customer's problem. Mr Gechelle sees the Verona fax centre as being a "great boon" especially at the low end of the rapidly growing consumer fax market.

Each market has a different challenge. In Germany, for example, Ricoh Deutschland Gmbh has the exciting prospect of the opportunities provided by the united Germany which followed the breaking down of the Berlin Wall in 1989.

Switzerland, although a prosperous country, has certain quirks of its own, such as the fact that its three languages - German, French and Italian - means that all communications and instructions for machines sold in Switzerland must be provided in all three languages.

A PHILOSOPHY OF EXCELLENCE

However, this is but a small matter for Cellpack's Beat Oberholzer, whose relationship with Ricoh changed in the late 1970s.

"We had already had the beginning of business with Ricoh," Mr Oberholzer recalls. "The company invited me to Japan to see how they operated and I have to say that I liked they way Ricoh did business."

He particularly liked the way that Ricoh's philosophy played a large part in determining the company's approach to business. Much of this stems from founder Mr Kiyoshi Ichimura, who summed up his approach to business life in the "San-Ai Principle": "Love your neighbour. Love your country. Love your work."

Like others who visited Ricoh at that time he felt it was an approach of relevance to any country in the world - as were the principles of Ricoh's management philosophy:

■ Think as an entrepreneur

■ Put yourself in the other person's place

■ Find personal value in your work.

The latter is particularly important to Ricoh Italia's Dr Cavallari, once a nuclear physics researcher and now a key executive in the Italian company. "Work has to be something you enjoy doing," he smiles, showing clearly that in his case this is certainly true.

RICOH

Official Olympic Facsimile Network Sponsor

A GLOBAL CITIZEN AT THE GAMES

RICOH'S attempt to pursue its company goal of "being a global corporate citizen" is perfectly illustrated by its strong backing for the 1992 Winter Olympic Games in Albertville, France and the Summer Olympics in Barcelona, Spain.

At the centre of its official sponsorship is the installation of the world's first Olympic facsimile network, an enormous undertaking spanning 165 countries on six continents. More than 80 per cent of the network is now completed. Bringing facsimile facilities to some countries for the first time ever was a challenge Ricoh was able to accept and complete.

Apart from the worldwide Olympic fax network, Ricoh Espana is supporting the Barcelona Olympic Games with fax services during each of the 21 pre-Olympic pilot and tests events over the next 12 months. During the Barcelona Games, all "locutories" (public fax booths) will also be equipped with Ricoh faxes. The Ricoh fax centre will be installed at the "Common Service Room" for the worldwide media, at the very centre of the Summer Games.

Ricoh's dealers and distributors are understandably encouraged by the fact that the strong backing of the International Olympic Committee has given Ricoh's technological expertise a powerful argument in favour of all the Ricoh equipment.

But no matter how impressive Ricoh's technological feat - and it undoubtedly is - Ricoh's strong commitment to the Olympic Games goes much deeper.

The company's major international sponsorship of the most important athletic meeting in the world is seen by Mr Yoshiharu Moriya, chairman of Ricoh Europe, as evidence of Ricoh's commitment to the world's youth and encouragement of world peace. Moreover, by providing the technology to bring more than 160 countries in the world together through swift communication, Ricoh will actually help bring the world closer together, not just during the 1992 Olympic Games, but long after the last medals have been won. And of course, there are always the 1998 Winter Olympic Games in Japan's skiing resort of Nagano to look forward to...

"Linking the World" is the way Ricoh likes to summarise the company's ambitious fax network.

"Linking the World" is also an apt description of the way Ricoh is encouraging its own 37,000 employees in every corner of the world to play their part in work and life.

Suppliers' Congress sets high standards

ANOTHER PART of the Ricoh family also met for a high level conference last month. Some 105 suppliers representing 66 companies involved in providing goods for Ricoh in Europe met in mid-June at Ricoh Industrie France's factory in Colmar, Alsace.

Following the success of the first Ricoh European Suppliers' Congress held last year in the Telford, England, site of the Ricoh Products Ltd (RPL) plant in the West Midlands, this meeting is becoming an annual event. Next year Telford will again be the host.

The Congress fulfills a number of aims. It helps improve communications between Ricoh and its suppliers and among one another. The Congress also provides Ricoh with the opportunity to bring suppliers up to date with the philosophy and latest marketing and sales strategy of Ricoh Europe.

Awards are given to the highest achievers based on the quality, cost and delivery performance of suppliers.

This close relationship with the supplies is part of Ricoh's global strategy to transfer an increasing amount of its supply of parts to local companies. Monsieur Christian De Moor of RIF, for example, pointed out that compared with last year there has been a 20% increase in local part suppliers and this is a continuing process as Ricoh progressively manufactures high technology machines in Europe.

Localisation was further stressed by Mr Chris Nicholls of RPL, who pointed out that 75% of the value of the finished copy machine is purchased from sub-suppliers. Moreover, all suppliers have agreed to set three targets:

■ A defect rate of less than 1.5%. Naturally, the ultimate rate is zero.

■ A delivery delay rate of less than 3%, according to the "Just In Time" delivery principle.

■ A cost reduction of more than 3% while continually trying to reduce costs and maintain quality.

These are demanding targets by any standards, but the suppliers at the Colmar Congress confirmed their determination to meet this challenge.

RICOH

Major promises greater choice in UK education

By Alison Smith

MR JOHN MAJOR yesterday promised greater choice in British schools and a commitment to raising education standards and increasing accountability.

Outlining the future course of Tory education policy, the prime minister told the Centre for Policy Studies, a right-wing think-tank, that the government would not only create a new type of school, but would ease the way for more schools to become grant-maintained (GM) or City Technology Colleges (CTCs).

The speech is the first to set the prime minister's agenda on education since he won the Tory leadership contest in November with a campaign that identified education as one of his key priorities.

Mr Major said that the government had to ensure that the the examination taken by most of the country's 16-year-olds, the General Certificate of Secondary Education (GCSE), offered a challenge to the most able children.

The prime minister also expressed support for schemes ensuring that course-work could make up no more than 20 per cent of the final mark in most subjects.

Standards attained by GCSE students must be raised, he

John Major, pictured yesterday, outlines his plans

added, if they were having difficulty making the transition on to the more demanding A-level courses taken by pupils aged up to 18.

Changes to the tests for seven-year-olds were also signalled with a shift towards shorter tests.

On widening choice, Mr Major said that existing schools would in future be able to combine opting out of local authority control with a bias towards technical education and private sector sponsorship, becoming grant-maintained technology colleges.

Legislation would also allow voluntary-aided schools to become CTCs, and restrict the ability of local authorities to obstruct the decision of some schools to opt out.

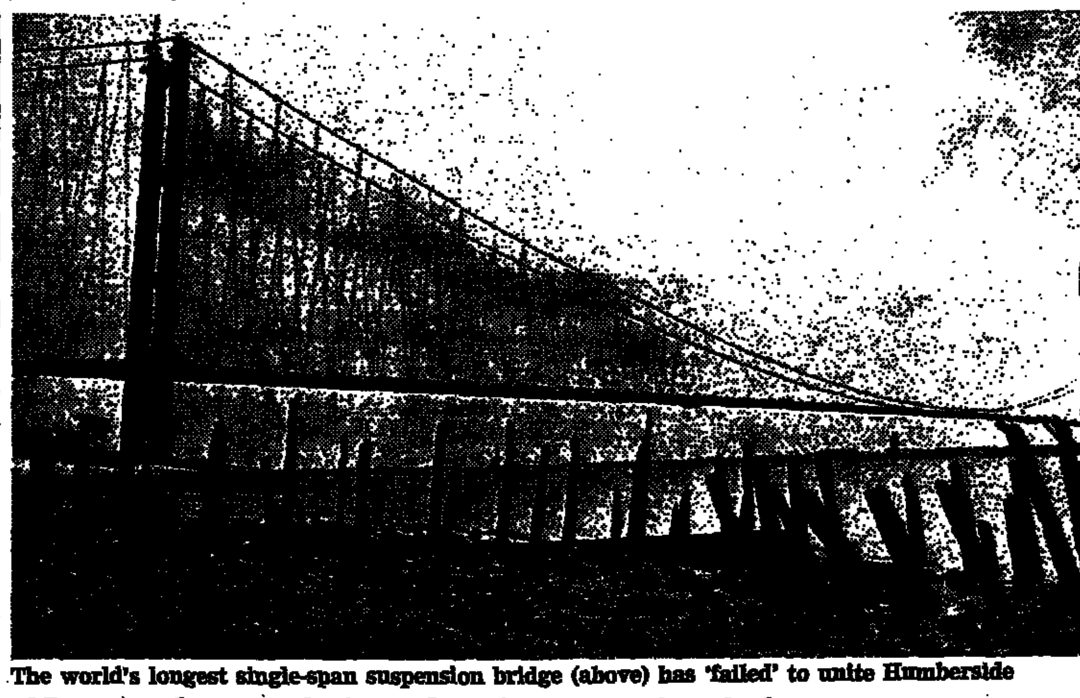
In particular, there would be strict limits on what local authorities could spend campaigning against applications for grant-maintained status.

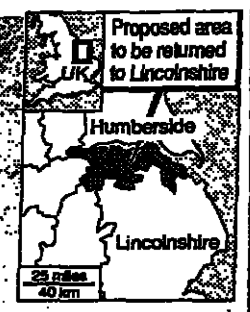
Local authorities would no longer be able to dispose of a school's assets while it was applying to opt out.

Attacks by the opposition Labour party attacks about education have focused consistently on the fact that only 91 schools have so far opted out, and only 13 CTCs have been established, with even those attracting less-than-expected private sector sponsorship.

While Mr Major emphasised that "it is deprived children in the bad schools in the worst boroughs whom I most want the government's reforms to help," Mr Neil Kinnock, the Labour leader, accused him of being interested not in creating a classless society but in creating new types of privilege.

Mr Major also said that the government's citizens' charter proposals would address the need to make schools provide better information to parents.





The world's longest single-span suspension bridge (above) has 'failed' to unite Humberside

Humberside fails to bridge county gap

HUMBERSIDE, the county created amid much controversy in 1974 and never recognised by many of its inhabitants, faces dissolution because of the region's failure to unite economically, writes Neil Buckley

The Local Government Boundary Commission recommended yesterday that the county be broken up saying it regarded north and south Humberside as self-contained areas, and that the debt-ridden Humber Bridge – the longest single-span suspension bridge in the world, built in the 1970s at a cost of £90m – had failed in its aim to unite the two banks of the estuary.

More than 150,000 representations were received from local people, the commission said, most of them in favour of the change. While the commission does not have the power to order Humberside to change its name to East Yorkshire, its report said the majority of people seem to be in favour of doing so and that this would be within the power of the council.

After a six-week public consultation period the proposals will be considered by Mr Michael Heseltine, the environment secretary, who has the power to accept, reject, or amend them. Even if accepted, however, the proposals will still have to be considered by the new Local Government Commission, due to be formed in summer 1992 to carry out a nationwide review of local government.

Many people in both north and south Humberside have refused to recognise the new county, and the people of Yorkshire and Lincolnshire have never felt much affinity or affection for one another.

Unpopular telecom plan abandoned

By Hugo Dixon

THE MOST controversial part of the government's telecommunications policy has been abandoned in what amounts to a victory for Mercury Communications and other competitors to BT, the national telephone network.

In a policy reversal, Oftel, the industry regulator, yesterday said it would seek authority to waive access charges that competitors were to have paid BT, formerly British Telecom, for using its network.

BT's rivals had complained that the proposal would have rendered the government's plans for opening up the telecommunications market, set out in a policy document earlier this year, still-born.

Sir Bryan Carsberg, Oftel's director general, said he was going to take "no chances with competition". Mr Peter Lilley, trade and industry secretary, backed Sir Bryan's decision, saying the earlier proposals would have made it difficult for entrants to get off the ground.

BT responded with a tough statement, saying that no evidence had been presented to it that would justify any change to the earlier agreement. The company's hard line has raised the possibility that the issue could be sent to the Monopolies and Mergers Commission.

BRITAIN IN BRIEF

Westland cuts 350 jobs in restructuring

Westland Helicopters is cutting 350 jobs in the latest restructuring to hit the UK defence and aerospace sector.

More than 20,000 jobs are estimated to have been cut so far this year in the UK industry because of the combined impact of lower government defence spending and the slump in the commercial aviation market.

Westland helicopters is the Yeovil-based helicopter manufacturing company of the Westland group. It employs 4,500 people accounting for half of the Westland Group's 9000-strong workforce. More than 300 of the jobs being cut involve managerial and administrative staff.

Motorway limit stays at 70mph

Mr Malcolm Rifkind, transport secretary, has decided to leave the motorway speed limit unchanged at 70 mph after studying evidence that higher speeds produce more casualties. He is to consider relaxing the criteria for 20 mph speed limits in urban areas and will look at ways of slowing traffic through villages.

Slight fall in visitors

The number of overseas visitors to the UK fell by 1 per cent to 30,998 in the year to April according to provisional figures from the International Passenger Survey, conducted by the Employment Department.

The number of visitors from western Europe and North America fell by 3 and 2 per cent respectively. However, this was offset by an increase in visits from other countries. The number of overseas visits made by UK residents was static during the year.

Merchant fleet drops to 310

Britain would not have enough merchant ships to repeat the 1982 Falklands task force operation, Numast, the merchant navy officers' union, has warned.

The number of UK-owned merchant vessels had fallen from more than 1,600 in the mid 1970s to 310. Fewer than a third of the 53 British ships used in the Falklands were still on the UK register, the union said.

Jobs lost at motor importer

Another 37 jobs have been lost at VAG (UK), the Lonrho subsidiary which imports Volkswagen and Audi cars, as part of the company's restructuring.

Nissan favours north east

Nissan, the Japanese car manufacturer, spends almost half its £280m components budget on parts supplied by companies based in north east England.

The budget covers cars manufactured by the company at Sunderland, Tyne and Wear, from where it supplies European markets.

However, of the 179 European suppliers to the factory providing £400m worth of components, 16 are wholly or partly Japanese-owned and provide £151m worth of parts.

Water metering out on top

Two-thirds of households favour metering as the best way to pay for their water supply, according to a survey of 290,000 people conducted by Ofwat, the office of water services. One fifth prefer property banding and only 14 per cent agree with a flat rate license fee.

Jobless in south to gain most

Long-term unemployed in the south of England are likely to benefit most from Employment Action, the government's new £340m temporary work scheme, because of the criteria for allocation of the funds.

No European threat to City

The City of London would have no reason to fear the repercussions of Britain failing to join a single European currency, said Mr Francis Maude, financial secretary to the Treasury.

Speaking to the House of Commons Treasury and civil service committee, which was taking evidence on progress by Britain on discussions related to European economic and monetary union (Emu), Mr Maude said the disadvantages to the City of Britain's deciding against joining a single currency union had been overstated.

He dismissed claims that should Britain not join moves towards a single currency and a single European central bank, London's status as a financial centre would be worsened in relation to rivals, such as Paris and Frankfurt,

No opposition on royal tax

No MPs spoke in opposition to a House of Common motion seeking to make the private and personal incomes of the Queen and the Prince of Wales subject to tax.

The private member's Bill entitled The Constitutional Reform Bill, introduced by the liberal democrat MP Mr Simon Hughes, has no chance of becoming law because there is not enough time to debate it properly.

Historic tree felled by rain

Torrential rain has destroyed one of the country's most historic trees, the 700-year-old Queen Elizabeth oak which Henry VIII, his wife Anne Boleyn and daughter Princess Elizabeth once danced around. The tree stood in Greenwich park in south-east London.

هكذا من الأصل

Onegin

COLISEUM

The return to London of Marcia Haydee and Richard Cragun as guests in English National Ballet's *Onegin* was, of course, reason for audience rejoicing on Tuesday night. In the role that John Cranko made for her 26 years ago, Haydee offers an interpretation which has now been distilled to a potent essence – there is no excess, no decoration to her reading. The girl Tatiana's innocence, her vulnerability, are shown to us with piercing simplicity, and the generosity of her spirit in the party scene when she strives to reunite Olga and Lensky has never seemed more urgent or more beautiful.

Inevitably, it is the portrait of mature woman in the final scene, riven by her love for Onegin – everything told in the kiss she must give him, her hands laid briefly on his hair – that calls on Haydee's truest art, and it remains a creation of deepest feeling.

I would, though, be unjust to Haydee's own earlier glories in this ballet if I did not mention that some physical felicities were now absent. Effects are carefully husbanded; speed and clarity of footwork are less convincing. But there remains the inestimable advantage of her partnership with Richard Cragun. There is an intuitive sympathy and rapport to their joint art, so that their interpretations pass beyond mere exchange between performers into an illuminating poetic dialogue. Cragun's Onegin everywhere matches his Tatiana in expressive probity and conviction: nothing is false or forced, and the outbursts of feeling – after the dual, throughout the last scene, which is magnificently sustained in its feverish passion – are superbly judged.

The evening also brought a very fine Lensky from Thomas Edur. A product of the Estonian Ballet, and still young, he is polished, elegant, in dancing and in manners. His Lensky is honourable, sincere, well-bred, and with a touch of pride that fully explains his character. Edur's dancing is marked by classical finesse, excellent schooling, and a lightness of means that can transform the simplest step (the little jumps in the opening scene) into something memorable. He gives every promise of becoming that rarity, a true *premier danseur classique*.

There was sound support from ENB's artists, but the production is now in need of redesigning: Mme Larina's drawing room and the Gremin palace are eyesores, and the costuming has known far better days.

Clement Crisp

Marcia Haydee and Richard Cragun

CINEMA

Turkey time

HUDSON HAWK
Michael Lehmann

TOO HOT TO HANDLE
Jerry Rees

JOAN OF ARC OF MONGOLIA
Ulrike Ottinger

F FOR FAKE
Orson Welles

Helped by alphabetical mnemonics most of you are familiar with the times when you can eat oysters or shoot pheasants. But few may know of the traditions and bye-laws regarding the turkey season. These are as follows. If there is a "Ju" in the month, it means that large clumsy birds are walking about the British movie landscape asking to be shot full of lead. This phenomenon is unique to this side of the Atlantic. In America they do not, firstly, regard the summer as a low season for filmgoers. They do not, secondly, have Wimbledon.

British distributors continue to treat June and July as idiot time. The good news is that they have brought over one high-season, big-budget American film. The bad news is that it is *Hudson Hawk*. This $50m Bruce Willis action comedy is to the average turkey what King Kong is to the average chimpanzee. It has plummeted at the box-office, invoking comparisons with *Heaven's Gate* and *1941*, as US pundits do the two things they enjoy more than anything else: telling Hollywood where to get off and telling Hollywood why it should not have got on in the first place.

Hudson Hawk is, in truth, terrible. But worse ideas for a caper thriller have thrived before. We start in Renaissance Italy, with Leonardo Da Vinci building a gold-making machine between sessions with Mona Lisa. (Miss L's mystery smile is explained by the poor teeth Leonardo insists she keep her mouth closed over.) Then we jump to New York 1991 where grinning cat burglar Bruce Willis, flashing state-of-the-art ivories, meets CIA agent James Coburn, flashing even more state-of-the-art ivories, and gets involved in the search for the auriferous Vinci machine.

All clear so far? Then you can now pack up and go home. For the plot advances in incomprehensibility as it retreats in hilarity. Especially wasted is the Eternal City. Rome welcomes Mr Willis, only to be brushed aside after he has handed it his cape and stick. Mr W then dashes off to the hills to fence with grinning villains Richard E. Grant and Sandra Bernhardt. Finally the coveted Leonardo gewgaw is cornered, captured and – but let me not spoil the ending for you. You might wake up in time to see it.

The poor jokes gallop on. There are Willis and co-burglar Danny Aiello timing there heists by singing old popular sings: "Would you like to swing on a star?" And there is the moment when the film appears to burn in the projector. No, wait a minute: that was no joke, that was real life. It happened at the New York theatre where I saw *Hudson Hawk*. By the time the film was re-started, I was the last person left in the auditorium.

"How does a movie like this get made?" many of you ask. Simple. Cinema is a gold-making machine which is hard to start up, needing much money and effort, but once it has started is quite impossible to stop. Knowing this, those operating the machine persuade themselves that leaden jokes and action-scenes really are turning to gold. When a measure of panic breaks through even this self-deception, they go for speed. Director Michael (*Heathers*) Lehmann thinks that by staging bad material at breakneck pace no one might notice its badness. But being bored at 90 m.p.h. is no more enjoyable than being bored at walking pace.

★

Turkeys as a cultural phenomenon are almost unique to cinema. A bad painting is a bad painting. A bad poem or symphony likewise. But the turkey is predicated on something more than failure: on the ungainly disproportion between large investments of time, money or personpower and puny outcome. Ergo: a turkey could be a Lloyd Webber musical, a misproduced grand opera or a blockbusting film which tailspins at the box-office. An example. Is *Too Hot To Handle* a turkey? Is this 1950s-set comedy, starring Alec Baldwin and Kim Basinger as sparring lovers who keep marrying and divorcing, ambitious enough to be a turkey?

We know it is bad. We recognise that from the usherette's tendency to move through the audience checking the pulses of the inert: especially late on when the jokes and plot run out. But the first half-hour is modest and sprightly. Playboy Baldwin, throwing over the daughter of studio mogul Robert Loggia for the vampy charms of singer and gangster's moll Kim Basinger, is first caught *in flagrante* by Bugsy Siegal (Armand Assante), then given a Krakatoan dressing-down from Loggia. Spluttering patriarchs have been funny ever since cinema began. But Loggia, aided by words Lionel Barrymore or Edward Arnold could never have used, is uproarious.

Bruce Willis in 'Hudson Hawk'

But it is the last uproar we have. The film surges laughlessly on through marriage and re-marriage, alternating Baldwin's career frustrations with Basinger's. "You're very good at singing," says Baldwin, "I'm very good at inheriting money." And the critic gets very good at scanning the Press notes in the dark to see if the film's screenwriter really was Neil Simon. (It was.) The director was one Jerry Rees.

If Mr Simon ever wants to write a hit comedy about cinemagoing, may I suggest this plot? A film reviewer, having sat through *Hudson Hawk* and *Too Hot To Handle* on a nothing-can-go-wrong-after-this basis, is then shown Ulrike Ottinger's *Joan Of Arc Of Mongolia*.

This 2¾-hour German film transports a train-load of wacky pseudo-historical characters across Northern Asia in search of – well, we are never sure what. Probably an audience. Certainly a plot. Like a jumble sale of post-Fassbinder kitsch, the film piles up its fussy characters and feeble jokes on trestle-tables and waits for the structure to collapse. Message-wise, something may have been intended about the ethnic dignity of the Mongolian peasantry versus the overcultivated European heritage. But as the sage once said, if you want messages, go to Western Union. They would certainly deliver them faster.

★

Orson Welles's *F For Fake*, revived at the ICA, proves the treat of the week. This feature-length 1973 mockumentary about the art of forgery, edited by Welles from footage shot by himself and François Reichenbach, stars the Grand Old Man himself as narrator and magician. We begin with hats and rabbits. We move on to art forger Elmyr De Hory and hoax biographer Clifford Irving. And we keep returning to Orson Welles, caped and rumbling, a sort of Brobdingnagian walking sherry commercial.

How perversely bracing to have a great movie-maker spend 85 witty, defiant minutes telling us how fraudulent art and imagery can be. That as Welles knows, is part of their enduring fascination.

Lee Remick's fascination as an actress – sadly, she died this week – lay in her agile donning of unlikely guises. A cool, gracious American rose, she spent her best-known acting hours playing alcoholics (*Days Of Wine And Roses*), mendacious rape plaintiffs (*Anatomy Of A Murder*) or sex-hungry Southern wives (co-starring with Welles himself in *The Long Hot Summer*). Once she started playing roles nearer herself, in The *Omen* or *The Europeans*, she descended from being a star to being a nice, beautiful actress. She was always a pleasure to watch, but in the 1950s and '60s she was something more: the cinema's up-market Baby Doll, a nice girl with just a hint of delinquency.

Nigel Andrews

Out Of This World

GUILDHALL SCHOOL, BARBICAN

The charms of the Guildhall's revivals of musicals deserve to be better known. The school makes a regular thing of resuscitating vintage American shows, and is very good at it. It can draw upon its drama students and music students alike, and supply a full band which in the West End would be thriftily reduced to the tune of a couple of synthesisers. Best of all, being unconcerned about whether an old Broadway show could make it now in the West End, it can tackle it honestly, pretty much as written; and the cast does that with the gusto of young would-be professionals.

In Cole Porter's *Out Of This World*, a 1950 semi-success (it had to compete with *Guys and Dolls* and *Call Me Madam*) they enjoy themselves contagiously. No doubt shows built originally around Merman or Mary Martin or Judy Holliday would be risky for student casting, but Porter's version of the Amphitryon story is even-handed with its several leading roles. Plautus dramatised the ancient tale first, and much later Molière, and in 1929 Jean Giraudoux, whose internationally successful play prompted the much simpler book of Porter's musical.

Famously, the god Jupiter adopted many forms, generally non-human, when seducing mortal women; but in pursuit of Amphitryon's wife he took the guise of her husband. Bedroom farce is immediately suggested, and Molière and Giraudoux turned it with serious wit. In *Out Of This World* it becomes an American kind of joke, somewhere between *A Connecticut Yankee*... and *The Rocky Horror Show*. Here, Jupiter's lust is aroused by the new bride of a New York reporter, and by enticing them to Greece in search of a hot story he contrives to get what he wants.

A lusty team of Olympian divinities is set against the modern innocents – not just the bemused newlyweds, but a village maiden and a Chicago-Greek gangster on the run. Nobody gets hurt; afterward the young couple choose to believe what suits them ("Use Your Imagination"), whilst the ageing Jupiter and ball-breaking old Juno accept each other's faults on the basis of long service ("I Sleep Easier Now") – a sour-sentimental Sondheim ending, in fact. As in other Guildhall productions, the undisguisable youth of the performers helps the potentially embarrassing bits go down easily, because distanced and cheerfully campy.

I fancy that *Out Of This World* fell short of the usual Porter triumph less because of the 1950 Broadway competition than because it makes the action *louche* in a peculiar new way. The real protagonist is Mercury (energetically played and sung here by Dominic Curtis), who engineers the basic ruse; Juno and Jupiter are emphatically his Mom and Pop; and he pulls the wool over Mom's eyes while pimping for Pop. At the end of Act I, father and son take their respective preys to bed. "From This Moment On", its best song, was eventually filched for the film of *Kiss Me Kate*, but the Guildhall restores it.

John Owen Edwards gets rousing, stylish playing from his band. Gerry Tebbutt's "choreography" is a lively asset – well above knees-up level, yet safely within the range of all-singing but only partly-dancing performers. All the stage tricks are detonated nicely amid Geoffrey Scott's witty sets; there is even some intrepid aerial work. Among the principals Amanda Tingle makes a gutsy Juno, and Haydn Forde, Constance Byrne, Carmen Dorothe Moll and Tony Sloman figure keenly. There's a richly speculative variety of American accents. The show runs until the 10th; the 4th is a gala, the 5th a Crusaid benefit.

David Murray

Elvis Costello

HAMMERSMITH ODEON

The newly ample beard and dishevelled dress shouldn't fool anyone; behind the dark glasses Elvis Costello's view of the world remains as dark and savage as ever. During his steady 15-year rise towards the highest echelons of the rock fraternity – as a writer-singer he surely belongs now in the same unclassifiable class as Dylan, Morrison and Neil Young – *Costello's anger has* become ever fiercer, and the curdled indelible voice that once railed against the injustices and cruelties of relationships now assaults far bigger targets. Even collaborating with Paul McCartney on a handful of songs seems hardly to have blunted his edge.

The current tour, stationed for this week at Hammersmith, follows in the wake of Costello's latest album *Mighty like a Rose*. With the newly designated Rude 5 (though there are only four them, all old Costello hands) he offers a survey of those new numbers while revisiting and reshaping some older favourites. Costello in concert is a savage, sometimes acidly humorous phenomenon; he can turn any material to expressive account (like the haunted cover of Mose Allison's "Crying Mercy" slipped into the set here) yet savours his own lyrics with menacing relish, while the band surrounds him with layer upon layer of heavy-duty riffs.

Everything is ripe for reconsideration, not just "Tramp the dirt down" his 1989 anti-Thatcher tirade, revived for a last outing, and re-armed with extra venom against the "glove-puppet" in her place and his classless society, but even new material: the spoof Beach Boys "Other Side of Summer" emerged here without its treacly vocals and slowed down to a menacing tread.

The new album is crammed with such first-rate songs, but perhaps few (the McCartney collaboration "So like Candy", it must be said, one of them") that are outstanding by Costello's exceptional standards. Revivals of past achievements – "God's Comic", complete with comic monologue, "I want you" more terrifyingly obsessive than ever, "Accidents will Happen" launching the set at full belt – emphasised, if we needed to be reminded, just how much Costello has achieved, and how far he has travelled since those early post-punk days. Even "Watching the Detectives" returned, its 1977 ebullience apparently undimmed, until it twisted violently into "Let him Dangle", the bitter denunciation of the Craig and Bentley murder trial from the last album. At times the anger and the paranoia may overpower the music, but when they are kept in balance the results are extraordinary.

Andrew Clements

Verdi Requiem

ROYAL FESTIVAL HALL

This was one of those evenings when one's heart went out to the soloists. In Verdi the essential ingredient that is demanded of the conductor is that he should set a decisive pulse which will drive the music forward, as great Verdians from Toscanini onwards have shown us.

Unfortunately, Giuseppe Sinopoli does not see Verdi like that. His performance of the Requiem with The Philharmonia on Tuesday was a stop-go affair – occasionally go, but mostly stop. He robs the climaxes of their cumulative power by rushing at them. Then, as soon as the soloists rise to sing, he drains all the energy from the music so that the poor singers are left gasping for breath or ekeing out the smallest tone possible so as to reach the end of the phrase. If I had been a soloist on that platform, I would have snatched the baton from him and set the tempo myself.

It was not an occasion to be making an important debut and the best that one can say of Aprile Millo's appearance is that one hopes she will return under more auspicious circumstances. From her career at the *Met* we know that this singer has what it takes to be a Verdi soprano. But here she sounded desperately nervous and sang almost the whole part in a *piano* that refused to carry. The "Libera me" gave a glimpse of the stylist that New Yorkers admire; in the rest she did not begin to command the music.

One's sympathy was with her, though, as the other soloists made little more headway. Waltraud Meier, a sumptuous mezzo, is not heard to best advantage in the Requiem, as the strengths of her voice lie in the wrong place for Verdi's vocal writing. Dennis O'Neill was more robust, but the slow speeds tempted him to be too lachrymose. Ferruccio Furlanetto was the dignified, but not really imposing bass. Each tried from time to time to inject some life into the proceedings, but to little avail. Sinopoli was always there, ready to pull the ground from beneath them.

Save for the fine contribution of The *Philharmonia Chorus it is difficult to find* anything about the performance that could be described in positive terms. A

Richard Fairman

Flamenco at the Coliseum

Flamenco will hit the Coliseum this summer when the English National Opera presents a two week season by Spain's National dance company, *Ballet Nacional de España* from July 16-27.

The company, featuring 65 dancers and 80 musicians with gypsy guitarists and singers, is appearing in London for the first time. Highlights of the programme include the British premiere of *Medea*, choreographed by José Granero to an original score by Manolo Sanlucar, and Alberto's Lorca's flamenco piece, *Ritmos*.

INTERNATIONAL
ARTS GUIDE
TODAY'S EVENTS

AMSTERDAM

Concertgebouw 20.15 Hans Vonk conducts Netherlands Radio Philharmonic Orchestra in *Mendelssohn's Hebrides overture*, Tchaikovsky's Second Piano Concerto with soloist Rian de Waal, and Stravinsky's Firebird suite. In the Kleine Zaal at 20.30: Philippe Giusiano plays piano music by Mozart, Ravel and Chopin. *Tomorrow: Lev Markiz conducts* New Sinfonietta of Amsterdam in music by Boccherini, Puccini and Rossini (6718 345)

■ BARCELONA

Gran Teatre del Liceu 21.00 Uwe Mund conducts Goran Jarvefelt's production of Die Zauberflöte, with Kurt Moll as Sarastro and Francisco Araiza as Tamino. Final performance on Sun. *Tomorrow:* Alfredo Kraus sings arias by *Mozart, Donizetti*, Delibes and Massenet, with the Orchestra of the Liceu conducted by Gian Paolo Sanzogno (412 1466)

■ BERLIN

Staatsoper Apollo-Saal 19.30 Berlin Musikhochschule production of Udo Zimmermann's Weisse Rose. *Tomorrow: Egon Bischoff's* production of Swan Lake. Sat: I vespri siciliani. Sun: John Cranko's ballet The Taming of the Shrew (2004 762)
Deutsche Oper 19.00 Christoph Prick conducts Le nozze di Figaro, with Margaret Marshall as the *Countess, Marie McLaughlin as* Susanna and Gabriele Sima as Cherubino. Tomorrow: ballets by MacMillan and Oleg Vinogradov, with Sylvie Guillem guest soloist *in Bejart's Bolero*. Sat: Der Freischütz. These are the last performances of the season (3410 249)
Schauspielhaus 20.00 Jorg-Peter *Weigle conducts* Berlin Staatskapelle in music by Joachim Grüner, Richard Strauss and Dvorak. Tomorrow: John Eliot Gardiner conducts English Baroque *Soloists in a Mozart programme*, with Malcolm Bilson fortepiano soloist. Sat: recital by Peter Schreier. Sun: Hartmut Haenchen conducts a programme of music for chorus and chamber orchestra by Vivaldi, Telemann and Bach (2272 261)

BONN
Oper 20.00 Ivan Anguelov conducts The Bartered Bride, sung in German, with a cast led by Ana *Pusar as Marenka and Alfred Muff* as Kecal, also Sat and next Mon (773667).

■ COLOGNE

Opernhaus 20.00 Broadway *production of West Side Story, runs* till Sat. Sun and next Tues: James Conlon conducts Lady Macbeth of Mtsensk. Mon: Madama Butterfly. These are the final performances of the season (221 8400)

GENEVA
Hotel de Ville 20.30 Michel Tabachnik conducts Orchestre de la Suisse Romande in Mozart's Masonic Funeral Music, Haydn's Symphony No 49, Tabachnik's Piano Concerto (1990) with soloist *Pierre-Laurent Aimard*, and *Honegger's Concerto da camera* for flute, cor anglais and strings, with soloists Lo Angelloz and Jean-Pierre Surget. This is the first of a series of summer concerts organised by the city of Geneva. Sun and Mon in the Church of Saint-Germain: the Amaryllis Consort of London play English music from the 17th century (289982)

LONDON
MUSIC
Coliseum 19.30 English National Ballet presents three one-acters: *Ben Stevenson's Four Last Songs*, Christopher Bruce's Swansong and Harald Lander's Etudes. Repeated tomorrow, with matinee and evening performances on Sat. *These are the final performances* of the ENB season at the Coliseum. *The season resumes* at the Royal Festival Hall on July 29 (071 836 3161)
Barbican 19.45 Colin Davis conducts London Symphony *Orchestra and Chorus* in Beethoven's Mass in C, with soloists Yvonne Kenny, Diana Montague, Keith Lewis and Gwynne Howell. In the first half of the programme, Alicia de Larrocha plays Schumann's Piano *Concerto. Tomorrow*: RPO play Beethoven and Dvorak. Sun: Jeffrey Tate conducts LSO in opening concert of City of London Festival. Mon: The Dubliners (638 8891)
Guildhall School Theatre 19.30 Cole Porter's 1950 musical Out of This World. Further performances tomorrow, and on Mon, Tues and Wed next week (638 8891)
Almeida Theatre 20.00 Mecklenburgh Opera in Stravinsky's The Soldier's Tale, also tomorrow and Sat (071 359 4404)

THEATRE
The Seagull, Chekhov's powerful tragi-comedy, is Terry Hands' final production as artistic director of the Royal Shakespeare Company. Following its success at Stratford, the production arrives tonight (repeated tomorrow and Sat) at the main stage of the Barbican, with a cast including Susan Fleetwood as Arkadina, Simon Russell Beale as Konstantin and Roger Allam as Trigorin. At the Pit, the RSC is presenting Nick Dear's highly popular adaptation of Tirso de Molina's The Last Days of Don Juan, the classic Spanish tale of lasciviousness and debauchery. At the Open Air *Theatre, Regents Park, Roy Hudd* is starring as Bottom in the New Shakespeare Company's production of A Midsummer Night's Dream. For information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962

■ MILAN

Teatro alla Scala 20.00 Riccardo Muti conducts Jerome Savary's production of Attila, with a cast led by Samuel Ramey, Salvatore Fisichella, Giorgio Zancanaro and Cheryl Studer, also Sat and next *Mon. These are the final opera* performances of the season. From July 11 to 20 the Ballet of La Scala is presenting a triple-bill, with works by Frederick Ashton, Agnes *de Millo* and Amedeo Amodio (7200 3744)

■ NEW YORK

Off Broadway theatre selection
Lips Together, Teeth Apart is a new play by Terrence McNally, directed by John Tillinger, about two married couples who share a Fire Island beach house over a long Fourth of July weekend (City Center's Stage 1, 131 West *Fifty-fifth Street, tel 581 7907*)
Pageant is a musical beauty contest, a deft parody and the rowdiest but possibly the sweetest farce in New York today. Five judges are selected from the audience to vote for Miss *Glamouresse*. Conceived, directed and choreographed by Robert Longbottom, with music by Albert Evans (Blue Angel Theater, 323 West Forty-fourth Street, tel 262 3333)
Breaking Legs is Tom Dulack's sitcom about Mafia godfathers who want to invest in a Broadway show. The fireworks begin when the two worlds of the mob and the theatre collide. Directed by John Tillinger *(Promenade* Theater, Broadway at Seventy-sixth Street, tel 580 1313)
The Haunted Host is a double bill: Robert Patrick's Host stars Harvey *Fierstein as a writer haunted* by the memory of his young protege (Jason Workman) when the dead man's double suddenly walks into his life: followed by Safe Sex, featuring Fierstein and Workman as two lovers who get back *together following a lengthy* break-up (Actors Playhouse, 100 Seventh Avenue South, *tel 564* 8038)
Ticketron (246 0102) answers *inquiries and sells tickets*.

■ PARIS

Palais Garnier 19.30 American *Ballet Theatre in Kenneth* MacMillan's production of Romeo and Juliet, also tomorrow and Sat, with matinee performances on Sat and Sun. ABT Paris season *runs* till July 14 (4017 3535)
Châtelet 20.30 Leonard Slatkin conducts Orchestre de Paris in Haydn's Symphony No 85, Mahler's Fourth Symphony and Mozart arias, with Barbara Hendricks (4026 2840)
A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ ROME

Accademia Tedesca, Villa Massimo 21.30 Friedrich Murnau's film Tabu, *with music* by Violeta Dinescu played live by the Ensemble Modern.

■ ZURICH

Hallenstadion 20.00 Two new ballets by Heinz Spoerli and Maurice Béjart to celebrate Switzerland's 700th anniversary, featuring the Basle Ballet and Béjart Ballet Lausanne (311 3030)
Opernhaus *17.30 Ralf Weikert* conducts Claus Helmut Drese's production of Götterdämmerung, with Gwyneth Jones as Brünnhilde, George Gray as Siegfried and Matti Salminen as Hagen, repeated Sat. These are the final performances of the season (251 0909)

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Thursday July 4 1991

No union by force

NOT ALL secessions are bound to succeed. But in central Europe in 1991 a secession could only be defeated if the forces of the union could hope to rally behind them the whole of the rest of the country, plus at least a significant minority in the seceding area. The government would have to enjoy broad popular support, which in present conditions would have to be demonstrated by democratic means; and in Yugoslavia's case it would also have to be sure of foreign creditors' comprehension.

Only on the last point does the Yugoslav army have some excuse for its appalling error. In reacting to events in Yugoslavia, up to and including last week, the outside world laid too much emphasis on the integrity of the country and was far too prodigal in its expressions of support for the federal government.

The world failed to notice that that government was the product of a stage in Yugoslavia's political development which since last year had been left far behind. It represented the last effort at compromise by the old communist élite – since replaced, through free elections, by new anti-communist governments in four of the six republics, while in Serbia and Montenegro it survived only bu draping itself in nationalist colours.

Explosive mix

Whether or not a new Yugoslavia could have been negotiated between the new governments, we may now never know. It would certainly have been very difficult, mainly because of the explosive ethnic mix in Croatia, Bosnia-Herzegovina and the outlying provinces of Serbia, and the historically strained relations between the Serbs and their neighbours. Ironically enough Slovenia was the republic least likely to cause serious problems. Its desire for secession arose precisely from the wish to escape a set of problems which had little to do with it. Croats, indeed, have long suspected that Serb nationalists would be happy to let Slovenian secession tip the ethnic balance in their own favour. That is why the Croats insisted on declaring their own independence simultaneously.

But whatever Serb nationalists may have thought, the army remained committed to the integrity of Yugoslavia as a whole. To describe it as a Serb army is too simple, even if Serbs make up the largest element among the officers. The army is the last surviving institution of Tito's state, the rest of which has already disintegrated. Neither Mr Markovic's government nor the federal presidency is any longer motivated by the desire to preserve Tito's legacy. That is why the army has acted apparently without and beyond political authority. That is why its action is so quixotically absurd as well as tragic. It is defending a state which no longer exists.

Impossible creation

A new Yugoslav state of some sort might have been created, and would have been desirable as a method of avoiding bloodshed over the frontiers between Serbia and Croatia. To create such a state now may well be impossible, when Slovenes have learnt that the name "Yugoslav" belongs to an army which sends bombs and tanks to crush them.

In such a struggle, the rest of Europe cannot remain neutral. The EC especially must throw its political and economic weight behind the elected government of Slovenia. Recognition of Slovene independence may now be the swiftest and most effective way to get the message through to Belgrade, accompanied by a warning that recognition of Croat independence will follow if Croatia is subjected to the same treatment.

But that warning must be accompanied by a proviso. Croat independence will only be viable if either the predominantly Serb-populated areas are ceded to Serbia, or the leaders of the Serb minority can be brought into the government as willing partners. The EC would no more wish to assist in Croat oppression of Serbs than in Serbo-Yugoslav oppression of Croats and Slovenes.

Labour's charter

WITH THE prime minister struggling to flesh out his Citizens Charter, Labour yesterday published its plans to improve the quality of public services. These include some excellent proposals to strengthen the consumer's voice, such as ombudsmen for all public services, and a welcome emphasis upon management in services such as health, the railways and garbage collection. But there is a worm in Labour's apple: a deep-seated antipathy to competition and market forces.

Administrative burdens

Thus the party wants to abolish compulsory competitive tendering in the health service and local government. Citing the administrative burdens of tendering and its impact on wages and conditions, Labour proposes to reserve compulsion as a last resort for cases like Lambeth and Liverpool.

As many Labour council leaders privately acknowledge, the threat of contracting out has worked wonders for the cost of local services and the standard of work. The service charters pioneered in Labour boroughs such as York and Islington could not have worked without the threat of contracting out to secure the compliance of the workforce.

And it is hard to see how Labour's plans for the utilities would increase competition: the party is committed to renationalising BT, for example. Labour's proposal to unify the utility regulators in a single all-powerful Consumer Protection Commission would risk another extension of government interference.

More welcome is Labour's acceptance that it cannot simply abolish the Audit Commission, which has effectively exposed bad management practice in local government. But the multiplicity of tasks to be imposed on the two Quality Commissions which would replace it emphasise that this is a top-down model. Labour is not yet ready to espouse radical options for increasing competition and widening choice for the user of public services.

Irish shutters

THE POLITICAL talks on Northern Ireland have ended more in sorrow than in anger. As Peter Brooke, the Northern Ireland secretary, suggested in the House of Commons yesterday, there has been more than a suspension but less than a total break-down.

The sticking point was the refusal of the British and Irish governments to postpone the next meeting of the Anglo-Irish conference, to allow the Ulster talks to go on into what Mr Ian Paisley, the Unionist leader, called "injury time". Since the deadline was a precondition of the talks, it is hard to blame either London or Dublin for inflexibility.

Some progress has been made. When Mr Brooke first mooted his initiative in January 1990, the Unionists were scarcely on speaking terms with the British government, let alone with the mainly Catholic SDLP in the north or any of the parties in the Irish Republic. Since then all parties have been talking quite freely to each other.

This is not, of course, enough. Having brought the parties half way up the hill, it is imperative not to let them slide down again. There is nothing wrong with a summer pause, which might have happened in any case. After the holidays, however, the two governments will have to look again at finding a gap between the Anglo-Irish conferences which will allow the talks to resume. Meanwhile, if the Northern Ireland politicians really meant all their enthusiastic words yesterday, they could go on talking to each other without Mr Brooke's umbrella. That would be the most encouraging sign of all.

The best boost from Dublin would be a decision to drop articles two and three from the Irish constitution. It is anachronistic and unhelpful to continue to claim sovereignty over the whole of the island. In London the Labour party should make it clear that it will not deviate from Mr Brooke's approach if it wins the general election and both main parties should rule out in advance any possibility of deals with Ulster MPs in a hung Parliament. Everyone should recall the tendency among British politicians to take their minds off the Irish problem. That must not happen again.

Judy Dempsey says Yugoslavia's army is waging a war against its own people

The settling of old scores

Yugoslavs awoke yesterday to face the awful truth that the army may soon be running their country. They heard the People's Army roll westwards from the republic of Serbia into the rebel republic of Slovenia. They saw convoys of tanks and armoured personnel carriers pour out of the barracks from Zagreb, the capital of Croatia.

After the failure of the country's politicians to implement three ceasefires, and regain any measure of control over the army, they now look on in horror at what appears to be the inevitable unfolding of a war waged by an army against its own people.

"The army is like a dog drawing its last breath," said Mr John Zametica, a military analyst at London's International Institute for Strategic Studies. "No one can heal the wounds of a dog which is seeking revenge, and with a vengeance which threatens to bring the country into a bloody civil war of the same magnitude which engulfed it in the early 1940s."

In the second world war, the Nazi-backed Ustasha Croat government murdered tens of thousands of Serbs, and the Serb-dominated Partisan/Communist forces imposed Communist rule over Yugoslavia. The hatred engendered by those events still simmers.

In the villages and towns, Croats and Serbs are armed to the teeth. "I do not think you can imagine what kind of bloodbath will take place. Serbs and Croats will kill each other. They are seeking revenge for the past," said a western diplomat.

In Ljubljana, the capital of Slovenia, people were nervous but calm yesterday. The republic, once part of the Austro-Hungarian empire, stands out from the south of the country. The people are Catholic, and write in the Latin script. They see themselves a part of the west, capable of matching the living standards of neighbouring Austria in a matter of years.

"It is crazy what is happening," said Mrs Sonja Bajic, a shop assistant. "But what can we do? The west has ignored our pleas for so long. They really believed Yugoslavia could be held together because it was convenient for them not to think about the alternative."

In Belgrade, the capital of Serbia, the mood was tense. Sobbing mothers besieged the republic's parliament, demanding that their sons be returned home. "If they do not come home, I want Slovene boys to be taken hostage," wailed one woman.

In contrast to western-looking Slovenia, Serbia was dominated by the Ottoman empire until 1918. Serbs are Orthodox and write in the Cyrillic script. They despise the Slovenes' high living standards and western aspirations.

It was Slovenia's desire to be free from what it sees as an economically and politically backward system that cast the die for an army takeover. On Tuesday June 25, the republic declared independence. The federal army, under the command of General Blagoje Adzic, chief of staff, and Mr Marko Negovanovic, head of military intelligence, believed a limited operation, aimed at placing Slovenia's external borders back into the hands of the federal police, would be swift and clean. They miscalculated totally.

Slovenia's 30,000-strong Territorial Defence Units fought back to defend the republic's independence. They secured initial victory after surrounding many federal units. Slovenia, until then a largely unknown alpine republic of 2m people, was catapulted onto the world stage. Its people quietly revelled in their hour of victory.

"We simply made a point. We wanted the world, and western governments, to wake up and understand that we were serious about our independence," said Mr Zoran Thaler, the republic's deputy foreign minister.

But Mr Janez Jansa, the republic's mercurial defence minister, wanted more than a moment of triumph; he was out to humiliate the federal army because he had old scores to settle. In 1989, he was court-martialled and imprisoned for allegedly making public a top-secret military document showing how the federal army was planning to invade Slovenia. Mr Jansa has never forgiven the military for putting him on trial.

By refusing last Monday to allow defeated federal army units – 2,000 men, many of them teenagers – to withdraw honourably to their barracks with their guns and equipment, he invoked the wrath of the military's high command.

Gen Adzic declared war on Slovenia, and by yesterday evening, the fate of Yugoslavia and its 23m people rested in the hands of the army. It has two main goals: to avenge its early humiliation in Slovenia; and to hold the country together by force.

"The military realises that the future existence of a Yugoslav army in a country of independent states is a contradiction in terms," said an Austrian diplomat. "They will have no paymasters. They will have no role."

Commanded by veteran Yugoslav Communists committed to defending the country from break-up, the army is stuck in the past; the development of eastern Europe along democratic lines has passed it by. An army document last January revealed the military's contempt for the west and for democracy. "The army does not care about warnings from the west. It does not care if the west imposes sanctions. It is a law onto itself," said Mr Zametica.

Federal units on the defensive: it is still unclear if Yugoslavia's army can successfully carry out its threat of war

One of the focal points of any full-scale war unleashed by the army will be Croatia, which also declared its independence on June 25. This is the heart of the Balkan powder keg. Croatia, unlike Slovenia, has a large Serb minority which makes up 11 per cent of the republic's 4.5m population. The Serb minority, led by Mr Milan Babic, and Mr Milan Martic, earlier this year declared their independence from Croatia and their eventual goal of joining Serbia. Mr Babic and Mr Martic now control Krajina, south-western Croatia, like a Serbian fiefdom.

But the Krajina, inhabited by half the Croatian Serb population, contains Croat enclaves. The only force which acts as a buffer against these two warring ethnic groups is the federal army. "If Croatia is attacked, there will be mayhem," commented Mr Srdjan Popovic, a member of Serbia's opposition Democratic party.

Croatia's defence forces total 75,000. However, they are "badly led and badly trained", said a western military attaché. "They are no match for the federal army," he added. An Austrian diplomat said: "An army intervention in Croatia will be the catalyst which will pit Serbs against Croats. I cannot see how this will be prevented."

It still remains uncertain whether the army can successfully carry out its threat of war. It may fragment under internal pressure pitting generations of officers and conscripts against each other. Its Communist leaders wish to retain their livelihood at any cost. However, among the lower ranks of the army, it is not certain that young Serbs would fight.

"The boys were brought up on Michael Jackson, not Marshall Tito," said Mr Drago Jancar, a young Slovene conscript. "The army is not fighting for independence, unlike the Slovenes. The top leadership is fighting for its own survival."

Many Serbs have already gone into hiding to avoid the call-up announced this week. Already, Slovenes and Croats have left the federal army. The Macedonians would not be prepared to join a Serb-dominated army and the ethnic Albanians could not be relied upon to support any war, or imposition of military rule.

Moreover, it is not clear whether the army could control, for any length of time, any republic it subjugated. The Slovenes have already shown they are determined to fight. The Croats might be encouraged to do the same. More significant, the ethnic Albanians in Kosovo would use military rule imposed in the north of the country as an opportunity to rebel against their Serbian administration.

If a military coup were carried out, it would lead to the inevitable rending of the federation – ironically, the one thing that the army has set out to avoid at all costs.

Tragic hardliner

Anthony Robinson on the army chief

Gen Adzic: antipathy towards Croats

General Blagoje Adzic, like so many of his Serb compatriots, is a man with a tragic past. As a teenager he escaped as Croats belonging to the fascist Ustasha movement slaughtered 37 of his family in the village of Pridvorica close to the border between Croatia and Herzegovina. Many Croats and members of other ethnic groups have similar memories of savage treatment at the hands of Serb royalist Chetniks or of Tito's communist partisans.

What makes General Adzic so special is that he is now commander in chief of a federal army which appears to have wrested control of the country's fate from its politicians. He is perceived as a personally honest man of little charisma who has spent his lifetime as a career officer since joined Tito's partisans.

As a general and a Serb, Gen Adzic is dedicated to maintaining the integrity of the federal state created by Tito. It was a state in which communist theories of "proletarian internationalism" were meant to erase the perverse ethnic loyalties which caused so many past atrocities. But he shares much of the mutual distrust developed over centuries by Croats and Serbs. He harbours a violent personal antipathy, fully reciprocated, towards Mr Stipe Mesic, the Croat president who finally took his place as president of Yugoslavia's collective state presidency last weekend.

Ironically, although Mr Mesic is a Croat, he comes from a partisan family whose family was also slaughtered by the Ustasha – on ideological grounds. At one session of the presidency the two men reportedly argued fiercely as to who had suffered most at the hands of the Ustasha.

Given the general's background it is not surprising that his appearance on Belgrade television on Tuesday night to declare "war" on the "enemy" Slovenia, and threaten to unleash the full might of the army to secure Yugoslavia's territorial integrity, sent shivers up many spines.

His stiff, white-haired appearance on TV also set alarm bells ringing abroad – confirming that the military was in control, and set on escalating the violence in order to bring the "war" to a rapid end.

Whatever his military virtues, the fact that a man like Gen Adjic could become commander in chief of a multi-ethnic army in itself helps to explain the foreboding now coursing through Yugoslavia, especially in the ethnically mixed areas of Croatia, Serbia and Bosnia-Herzegovina.

The army likes to present itself as the all-Yugoslav institution. But with Serbs forming nearly 70 per cent of the officer class, many doubt it is ethnically even-handed. Fears that under pressure it will act as a Serb army in federal camouflage has been heightened by the replacement of non-Serb officers. General Zivota Avramovic, a specialist in armoured warfare from the third military district around Belgrade, for example, has replaced the Slovene General Konrad Kolsek as commander of the fifth military division which includes Slovenia and parts of Croatia. The head of the air force has also been replaced by a Serb, Gen Milos Bajic.

Ironically, however, while many non-Serbs fear the federal army, Serb nationalists such as Vuk Draskovic of the Serbian Renewal party see the army as a group of dogmatic bolsheviks blinded by their communist ideology. Generals who are seen as willing tools of Serbian chauvinism by non-Serbs are criticised in their ethnir backyard for having left the Serbs wirhout a reliable army of their own, while all the other nationalities have been busy building up their own national forces.

OBSERVER

New pastures for Nott

■ Don't get too excited, but there seem to be strange stirrings at the top of one of the pillars of the City's legal establishment. Freshfields has admitted Sir John Nott to its inner sanctum.

At least the former politician and chief executive of Lazard has been called to the bar – and of course he'll be non-executive, says Freshfields' discreet announcement of his joining its partnership council.

Nevertheless, senior partner John Grieves thinks it a daring move that could even start a trend. After all Lazard is one of the City's most successful corporate finance houses, and Freshfields is top legal adviser in the lucrative merger and acquisition trade.

As the firm is Lazard's solicitor, however, the move might just cause uneasy feelings in less well-connected merchant banks and legal practices.

Harvard Business School old-boy Grieves seems intent on making Freshfields 114-strong partnership more businesslike. Its partnership council was set up following a review by management consultants McKinsey in 1989.

Originally it had no provision for non-partner members, but at Grieves's behest its constitution was changed to admit two outsiders. Meeting quarterly, it is supposed to develop the firm's strategy and policy.

Nott was chosen to challenge the firm's assumptions and counter insularity, explains Grieves – or, as others might say, to puncture groupthink.

Slow track

■ Amid the furore over executive pay, spare a thought for poor Sir Bob Reid, chairman of British Rail. Still firmly entrenched in the state sector - and, after the latest results, likely to stay so for some time - he is not just having to scrape by on a mere £200,000, but last year drew only half his pay as he didn't do the job full-time until half way through.

Yesterday found him refreshingly laid back about his personal financial ambitions. Was he expecting a bumper pay rise this year? Well, he'd an idea he was due for a review at some stage, "but I've been too busy trying to run a railway to think about it."

Which offers BR passengers – whose interests, Reid apparently thinks, privatisation would not best serve – a crumb of comfort. Maybe the trains still don't run on time, but at least the chairman seems more worried about that than he is about his pay check.

Spot on

■ Many predicted Peter Brooke's Northern Ireland talks initiative would fall apart in time. Few knew just when.

An exception is Barbara Wood, wife of Andy Wood who heads the Northern Ireland Office's information service. They go on holiday next Monday. She booked it in January.

Over the hill

■ In the departing tracks of over 500 of his company's staff, the French ski industry's grand old man Georges Salomon is hanging up his boots 44 years after founding the world's leading maker of ski-bindings.

Now 65, he is passing on the Salomon group's chairmanship in September to tough managing director Jean-François Gautier, 37, whose restructuring of the loss-hit group has pared its workforce by 20 per cent to 2,250.

The cut was felt keenly by the founder, a Savoyard who in the 1940s started a workshop with his parents in the Alpine town of Annecy perched on the shores of one of Europe's purest lakes. At first they made saws and ski-edges, then struck luck with the invention of the Salomon binding, market leader since 1972.

The group, still controlled by the family, has also been second in the ski-boot market for 20 years. Although it sought to diversify in 1985 by buying American golf-club company Taylor Made, three seasons of scant snowfalls in the Alps precipitated losses, last year's being nearly £26m.

With skiing beginning to recover, the founder – who will keep contact as president of the non-executive board – believes the group should climb back to break even by the end of this year. It is pinning hope on a path-breaking new type of ski, which experts say glides beautifully.

"He's an Iraqi nuclear scientist seeking asylum from UN troops."

Trump cards

■ While it's hard to imagine Margaret Thatcher and Ivana Trump having much in common, they'll be sharing a platform come November in Banff, Alberta. They have been signed on as the main attractions at the annual sales conference of Mackenzie Financial, one of Canada's leading mutual fund distributors.

Mrs Thatcher's topic has yet to be revealed. Mrs Trump will no doubt draw on what she learned from ex-husband Donald as the main speaker on sales and financial planning in Mackenzie's new "spousal education programme."

It sounds the sort of thing that would benefit Marla Maples, now reportedly re-installed above Carla Bruni as a prospective second Mrs Trump. But if Mackenzie is thinking of inviting her to listen, given the boom-to-bust nature of Mr T's romances as well as finances, it might be wiser to wait till the day.

Bin liners

■ Who's Norman Lamont's favourite analyst? Aside from Alastair Ross Goobey, the ex-James Capel stock market guru, who is now one of his special advisers, and Goldman Sachs's omni-authoritative Gavyn Davies, the list seems a bit thin.

Number 11, it seems, is bombarded with more brokers' circulars than most fund managers, and most go straight in the bin.

The analysts most likely to stay out of it, apparently, are those whose scribblings are infrequent and sparing. Which, alas, would seem to rule out almost all of them.

Out of court

■ The ups and downs of the remorselessly continuing Blue Arrow trial have now been compounded by ins and outs.

Yesterday, when a witness was asked by one of the defending counsel to identify his client among the seven accused at the back of the court, all present fell about. Only two of them were there.

"Not the best test," said the judge.

هكذا من الأصل

ECONOMIC VIEWPOINT

The recession in world context

By Samuel Brittan

During every recession there are vociferous pessimists who project the downturn indefinitely, despite the evidence that what goes down usually comes up, and that the vast majority of recessions do not turn into great depressions. This normal chorus is, of course, swollen in the run-up to an election and also by the red-black coalition of those intent on whipping up anti-ERM sentiment.

The doomsters could well misuse the lack of growth shown for the UK in the second half of 1992 in the new Economic Outlook, published by the Organisation for Economic Co-operation, to stir the pot further. More remarkable is how small the differences are between the OECD and the original UK Treasury Budget forecasts. The Treasury expected the recovery to start in a very small way in the *second half* of 1991, while the OECD expects output to bump along the bottom until next year.

This gap is well within the normal margin of error. Anyone who claims to provide a more precise estimate of the timing and path of recovery is likely to be a *charlatan*;

Anyone who claims to provide a precise *estimate of the timing* of recovery is probably a charlatan

and if this makes the election date difficult to predict, tough luck.

Nit-picking over the details of forecasts for particular countries is quite the wrong way to use the OECD Economic Outlook, the strength of which lies in its depiction of global economic forces.

Its wisest words on the current recession are in the overview: "Turning points in output typically are not clearly discernible for some time after they have occured." In the meanwhile we are just whistling *into* the wind.

The world context of the recession is illustrated in the chart I have called "anatomy of boom and slump". It is worth pondering. The bars show variations in output growth among the G7 countries. More precisely, they show whether *output is above or below potential*.

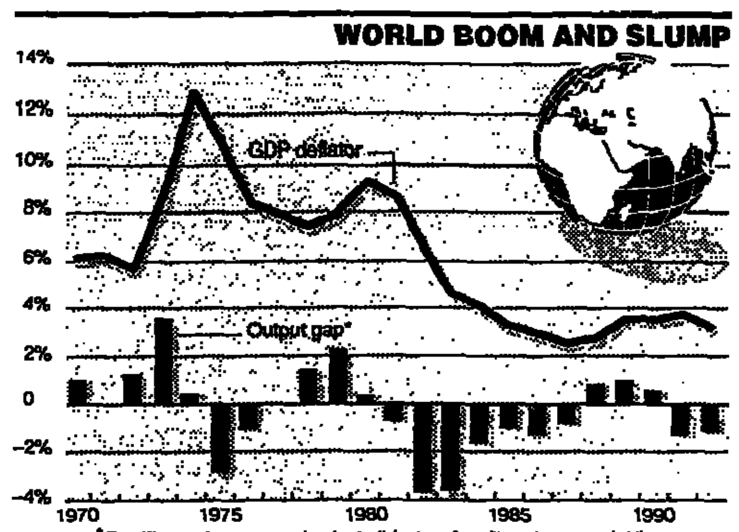
The meaning of "potential" here is not the maximum of which the economy *is capable in some engineering sense*. It is the maximum of which it is capable without an accelerating inflation. Obviously, this is a highly fallible estimate by OECD economists based on the history of the past two decades. But the importance of the chart lies in the principles it illustrates.

The clue to the chart is that when output is above capacity, inflation *rises and therefore the boom has to* be brought to an end. When output is below capacity inflation falls and recovery will occur, *whether automatically* or through deliberate policy. Anyone who grasps these essential relationships has a far better grasp of what *makes economies tick* than he could have gained from thousands of short-term forecasts.

The chart is compatible with monetarism, broadly understood, as well as with reconstructed Keynesianism. It has its origin in some pioneering work of Milton Friedman, and is essential to explaining the transmission mechanism from excessive or deficient growth of the *money supply to* inflation or slump.

We start with the early 1970s, which saw an inflationary explosion *which was aggravated* by the operation of the Opec oil cartel after the Yom Kippur War. But the main *driving force was excess demand*, visible in pressure on both industrial capacity and labour supply.

Then, partly due to the backwash of the oil price increases, and partly as a result of more restrictive economic policies in some countries, the world economy started to work below capacity; and average underlining inflation fell too. But the boom of 1978-79 (which was aggra*vated both by the notorious agree*ment at the Bonn summit to increase demand and the second oil *price explosion) led to another* acceleration of inflation. This time there was a much more widespread agreement among governments not to accommodate inflation.



* The difference between actual and potential output. A positive value means that the economy is operating above its potential and a negative value that there is slack in the economy

Source: OECD

Commentators who did not like the policy stance of the 1980s attributed it to the rise of radical right *wing governments*; but it was at least as much due to the lessons learned from earlier decades about *the dangers of unsustainable* growth achieved merely through whipping up demand. There did indeed follow a severe recession with two or three years of output below capacity. But average inflation rates fell significantly and an eight-year long upturn ensued.

As the 1980s drew to an end the upturn became a boom and output rose above capacity. *At a G7 level the acceleration of inflation* was fairly modest – by about one percentage point. But governments and central banks operating under the new consensus were determined that it should not go further and started to put their feet on the brakes. Thus the 1990s have started with a slowdown and output is expected to remain a little below *capacity even* in the 1992 recovery.

Against this world background, the anatomy of the UK recession can be seen more clearly. Only the English-speaking members of the G7 – the US, the UK and Canada – experienced an actual drop in output. But the group as a whole has *had a sharp setback*, and in the OECD's words, "growth virtually ceased in the first half of this year". The international growth recession – and not any imaginary overvaluation of sterling in the exchange rate mechanism (ERM) – explains why UK exports have not soared to offset the slack in the domestic market. As the governor of the Bank of England said on Tuesday, without the *ERM*, interest rates would not have been cut as much as they have been – a chart on this page last week showed the interest rate premium on sterling relative to the D-Mark at almost a record low.

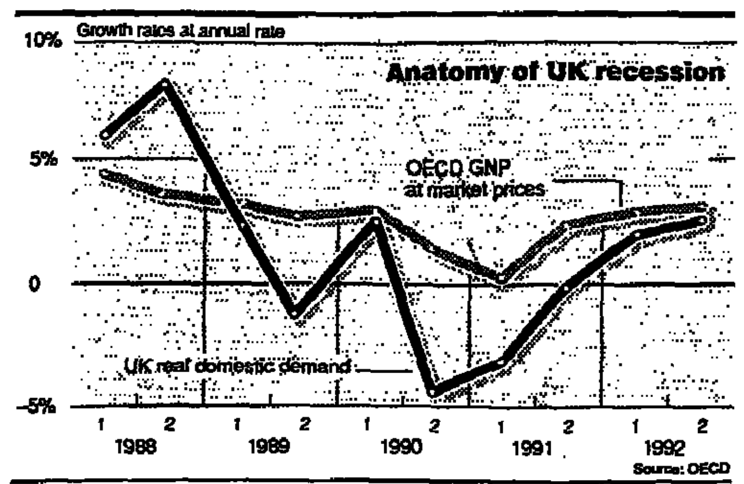
The British recession has been worse than that of other countries because, in addition to the international slowdown, there has been an exceptionally rapid fall in real *domestic demand, which* is estimated to have shrunk by 3¼ or 4 per cent in the 12 months to the end of June. The plunge in UK demand was a belated reaction to the interest rate squeeze, itself unavoidable if inflation was to be reduced to a hard core European level.

Although British ministers talk about a recovery in consumption (despite all their earlier exhortations about saving), fundamental optimism about UK recovery depends on international prospects. All the conditions exist for a resumption of world growth. In the words of the OECD, "the opening up of employment and output gaps is relieving upward pressure on wage and price inflation," which is *expected to fall* by *about* one percentage point in the year ahead.

Moreover, "the credibility of monetary policies was *enhanced* by the resistance put up by most countries to inflationary pressures when they *resurfaced at the end of the 1980s*". There is renewed emphasis on medium-term fiscal control. (A trend improvement can even just about be discerned in the US budget.) Moreover, the current account imbalances of the US, Germany and Japan have virtually disappeared, which should reassure those who worried about them.

But will the expansion take *place? The OECD lists a number of* bullish features. There has been a rebound of confidence following the end of the Gulf war. The credit crunch, even in the US, has been much less than many feared, due for example to the growth of borrowing outside the banking system by companies on their own securities. Interest rates have fallen in many countries. Temporary budget deficits have been allowed to build up as "automatic stabilisers" to cushion recession. In contrast to previous downturns, there has been no large build-up of unwanted stocks. So a recovery of demand should soon lead to more output.

Despite some signs of another speculative move into the dollar, world exchange rates have so *far* not been seriously misaligned. The much-feared monetary tensions within the ERM, as Germany tightened its monetary policy, did not occur; and partner countries have *been able* to reduce their interest differentials against Germany.



So confident is the ruling voice in the *OECD* that it warns that the margin for monetary relaxation is much less than people think. The amount of excess capacity is, as the "world boom" chart shows, no wider than at the time of the stock

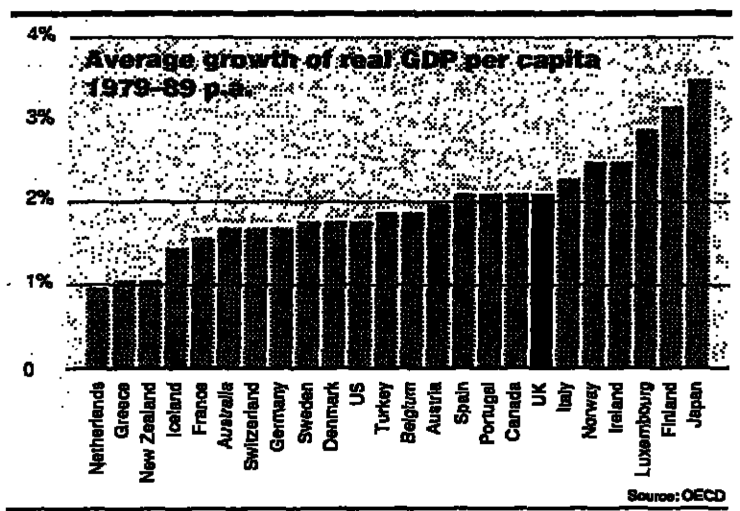
All the conditions exist for a resumption of world growth on which the UK's recovery ultimately depends

market crash in 1987. The OECD authors stress that once recovery is under way governments should be on guard to tighten policies.

The moral of the OECD report is that macro-economic policies are about right in most countries, and should remain so if policy-makers can keep their nerve.

The industrial countries are, nevertheless, left with many specific micro *problems. There has been*, especially in the US, the growth of financial guarantees and off-budget liabilities emanating, for instance, from the problems of the savings and loans institutions. Internationally, the Uruguay Round still has to get off the ground. Total transfers from taxpayers and consumers to agricultural support – much of it dissipated in higher land prices and not reaching the poorer farmers – has reached a level corresponding to about a third of the UK GDP.

The projected moderate recovery should stabilise the OECD (although not the British) unemployment rate, but there *is little* scope for bringing it down without fundamental reforms in the labour market, which most politicians think they are elected to oppose. The OECD authors do not dare attack openly the Social Charter or minimum wage legislation, but they talk obliquely about bad policies that "support wage bargaining processes in which real wages are pushed up to the point where they limit the growth of jobs".



The old league tables, showing British growth lagging badly behind its main continental partners, are out of date.

Such tables need to be based on *whole economic cycles, the last of* which stretched from 1979 to 1989, measuring from peak to peak. On the crude basis of average total real gross domestic product growth, the UK was level pegging with both Europe as a whole and the Community in that decade.

To plot underlying improvement, the accompanying chart is on the alternative basis of GDP per head, which *is less distorted* by demographic change. Here Britain came seventh out of 24 OECD countries, tying with *Canada, Portugal* and Spain. Its growth was above the European and EC average, and substantially above that of Germany and France as well as the US. In Europe it was exceeded only by Finland, Luxembourg, Ireland, Norway *and by Italy. On a longer* perspective, the elimination of the UK growth gap was, however, due more to partner countries slowing down than to the UK accelerating.

Japan still remains ahead of every other country. But any chagrin at this should be tempered by the fact that Japan has only just emerged from a catching up process. Its *level* of output per worker is still no higher than Britain's.

Moreover if we take the business sector alone, the productivity *growth league* was *headed not by* Japan, but first by Finland and then by Spain. This applies both to labour productivity and to "total factor productivity". Britain did best in capital productivity, where it came second to Finland.

A word of caution. During the first few years of the new economic cycle from 1989 onwards, British growth *is almost certain to lag* again because of the severity of its recession and the moderate nature of the expected recovery. This will reflect an increase in the margin of unused capacity necessary to squeeze inflation to very low single digits. A worthwhile verdict on the success or otherwise of "Thatcherism" in improving underlying performance will thus not be available *until the end of new cycle*, probably near the turn of the century.

LETTERS

Sole trader plan protest

From Mr J V Fontannaz.

Sir, I really must protest on behalf of thousands of shareholders in small companies.

If the stock exchange manages to obtain agreement that, in future, only 500 companies' shares will be handled in a competitive manner ("Stock exchange considers system of sole traders", July 1) it means that only two columns of the shares quoted in the FT will be *handled competitively* out of 10 columns.

Heaven only knows how many other companies there are quoted on the stock exchange under various rules.

I feel it is time that shareholders should get together and sue the stock exchange under the Trades Descriptions Act for misrepresentation since the stock exchange, without reference to shareholders of companies that have come to the market over the past few years, is planning to change the share trading ground rules.

Companies come to the market for a variety of reasons, mainly to cash in on their success and to gain access to fresh capital for further expansion. Brokers are there to advise clients on how to make money. Investors are there for one reason: to make money. The new proposals negate any possibility of the brokers giving advice other than not to invest in any share that is not on the 500 list. Their business will therefore be defunct.

Shareholders cannot make money as the spreads suggested will negate this if the market is either going up or down. *Companies which* need capital will have to look elsewhere. The City has so many *regulators, yet none* appears to have any teeth. I think that to rely on any one of them, including the Office of Fair Trading, is pie in the sky. There must be a serious shareholders' revolt to make dealers marketmakers and to make brokers conscious of the disgraceful suggestions.

J V Fontannaz,
Thamesfield,
Mill Road,
Marlow, Bucks.

Unions strengthened by law

From Mr Nigel J Chubb.

Sir, Norman Willis' plea (Letters, July 1) for a fair crack *of the whip for trade unions* might turn into a whiplash. The labour relations legislation of *1975* to *1978* did, indeed, give the illusion of more power for trade unions – but would a statutory framework for union recognition or statutory consultation in company decision-making actually strengthen the trade union movement? Although union membership has fallen quite considerably in the last decade, where it has *always had a strong presence* its density has changed remarkably little. In many *ways the union movement* has survived the rigours of labour relations legislation between *1980* and *1990* remarkably well.

Arguably, in sectors of industry and commerce where there remains a high union density, legislation over the last decade has actually strengthened the trade union position – look at the *increased bargaining power of* a trade union when it has conducted a ballot for industrial *action and how easily it can* now throw off the accusation of being led by unelected barons with no accountability to the membership. Perhaps the union movement has had a fairer crack than it realises.

Nigel J Chubb,
"Cartref",
High Street,
Thurlby,
Bourne, Lincs., PE10 0EE

Fax service

LETTERS may be faxed on 071-873 5938. They should be clearly typed and not hand-written. Please set fax machine for fine resolution.

Balkan factor

From Mr Denis Johnston.

Sir, Re "Ford to announce price cuts averaging 10 per cent" (July 3). Ford did this before, in 1914, on the outbreak of trouble in the Balkans. A price cut of $50 brought the basic Model T down to $490.

Denis Johnston,
7 Lodge End,
Radlett,
Hertfordshire WD7 7EB

In defence of the Serbs and a warning on military intervention

From Mr Dragoslav Bijelic.

Sir, I was appalled by your editorial, "The challenge for Yugoslavia", (June 26). It was packed *with untruths* and distortions of facts. You claim that Mr Milosevic's policy has brought about the *break-up* of Yugoslavia; this is not true. It was the Slovenian and Croatian governments of Milan Kucan and Franjo Tudman, respectively, who, with the secessionist and anti-Serbian policies, brought the country to the edge of catastrophe.

You failed to remind your readers that the post-war Yugoslavia was governed for 36 years by the communist dictator Tito, who *was a Croat*. Also, you stated that Milosevic "opposes any break-up of federation, essentially because it would erode Serbia's influence". What *influence*? The current president of the Yugoslav federation, Stipe Mesic, is a Croat, as is prime minister, Ante Markovic. Budmir Loncar, *the federal* minister, and the federal defence minister, army general Veljko Kadijevic, are also Croats. *The last three* Yugoslav prime minsters were Croats.

In your article you plead for Yugoslavia to be reorganised on a confederal basis. Every first-year law student knows that confederacy is not a state, but a loose union of sovereign, independent states.

You seem to forget that unified Germany will have free *access to the Mediterranean* via the Slovenia and Croatian/Dalmatian coast. The Germans will make a confederation, comprising Germany, Austria, Switzerland, Croatia and Slovenia, and eventually they will successfully attain by peaceful *means what they could not by* military means in two world wars – dominate Europe economically and politically.

It is not Mr Milosevic who *has reawakened* the idea of a greater Serbia, because the Serbs are already living within one *state called* Yugoslavia; and they do not want to become a minority in some new, right wing, chauvinistic Croatia.

I *think that*, instead of provoking bad feelings among Serbs, you should bear in mind that it is the Serbs who are the only true ally of British people in the Balkans.

Dragoslav P Bijelic,
Attorney-at-law,
Zahumska 53,
11000 Belgrade-Yugoslavia

From Branka Magas.

Sir, a military coup has taken place in Yugoslavia – the first in Europe since the Greek colonels' coup of 1967. Acting unconstitutionally and in defiance of the civilian *authorities*, the so-called Yugoslav People's Army has declared an all-out war on one part of Yugoslavia, treating it as a foreign enemy. Europe – east and west – should search its conscience and its common sense to decide whether allow*ing a military junta to take* power anywhere in Europe augurs well for the continent's future. If in Yugoslavia today, why not in the Soviet Union tomorrow?

In pursuing their holy war against Slovenia and Croatia – *a war planned ever since* multi-party elections took place in these two republics – the so-called Yugoslav general staff are in fact waging war on Yugoslavia as a whole. Who, or what, has given these generals and colonels the right to decide for themselves how the Yugoslavs should arrange their future? And what kind of Yugoslavia could emerge out of their victory? Only a prison-house of its nations and citizens (occupied Kosova has stood as the model for two years now).

Indeed, on the very day the so-called Yugoslav chief of staff was offered the hospitality of Serbia's state-controlled media to proclaim a war to the finish against the Slovene people, Serb mothers were protesting in the Serbian assembly against their sons' lives being used as small change in this adventure of the generals.

In what sense, therefore, can we speak of this army as a Yugoslav army? It is Yugoslav only in that it has compelled thousands of Slovene, Croat, Serb, Albanian, Macedonian, Moslem, Montenegrin etc conscripts to kill and main each other, while offering them no future other than that of pro*longed and bloody civil strife*. What a tragedy for a country born out of a national liberation war. Whatever mistakes the governments of Slovenia and Croatia have made in their pursuit of sovereignty, they pale into insignificance before the *military's brutal assault* upon the liberties and democratic aspirations of all the people of Yugoslavia.

Branka Magas,
119 Blenheim Crescent,
London W11 2EQ

FINANCIAL TIMES
Thursday July 4 1991

China and UK set to agree on HK$100bn project that threatened to sour relations

Hong Kong airport accord imminent

By John Elliott in Hong Kong

A BREAKTHROUGH in the long-running battle between China and Hong Kong over the colony's proposed HK$100bn ($12.9bn) airport project appeared imminent last night.

This followed several days of high-level talks in Beijing between Chinese leaders and Sir Percy Cradock, foreign affairs adviser to Mr John Major, the British prime minister.

An announcement is scheduled to be made today setting out terms which, it is believed, could allow construction to go ahead quickly. Tenders for a vital part of the project, involving bridges and viaducts worth between HK$8bn and HK$10bn, are due to be called immediately.

Sir Percy has returned to London with a compromise which is believed to allow China to have a say on the airport and on decisions affecting other important projects and policies before it regains sovereignty in 1997.

Chinese officials in Hong Kong last night said they were "very optimistic" about prospects for a go-ahead. The Hong Kong government refused to comment.

Beijing has said it is in favour of the new airport, which is urgently needed to maintain Hong Kong's economic momentum. But it has been insisting on a much greater degree of control over this and other government policies than Hong Kong has been prepared to concede before 1997. That has led to a deadlock which has escalated into a potentially serious confrontation between Britain and China.

Details of what has been agreed were not known last night, but the UK is bound to have had to make concessions, especially on China's demand for a virtual right of veto on key policies and decisions.

Two weeks ago the Hong Kong government was on the brink of conceding defeat and announcing a two to three month delay on the bridge and other tenders. Sir David Wilson, the governor, flew to London warning that this would happen unless China came to terms by the end of this month.

But Mr Major decided to ignore this deadline and launched a fresh initiative by sending Sir Percy to Beijing.

His brief was to try to break the stalemate or, at worst, to try to prevent any announcement of the expected delays which would lead to a diplomatic crisis.

Western financial agencies will study ways to oversee Soviet debt

Moscow may need aid management

By John Lloyd in Moscow

WESTERN experts believe the Soviet Union's ballooning debt crisis will soon force it to submit to an austerity package managed by international financial institutions.

A group from the World Bank, the International Monetary Fund, the Organisation for Economic Co-operation and Development (OECD) and the European Bank for Reconstruction and Development (EBRD) is due in Moscow next week to study the deteriorating economy ahead of the summit of the Group of Seven leading industrial countries, to be held in London on July 15-17.

The issue of debt will be high on their agenda.

Mr Valentin Pavlov, the prime minister, was reported as having told a meeting of republic leaders on Monday that Soviet debt now stood at 39bn hard roubles – and that it would rise to 44bn hard roubles this year. The figure is higher than any so far given by the main Soviet banks, although it is close to the higher estimates of western governments.

At the same time, the Soviet Union is due to repay between $10bn and $12bn of interest on outstanding debt this year – figures which the prime minister said it would need further credits to service.

Much of this debt is government to government credits, or credits extended to enterprises guaranteed by Vneshnoconombank, the foreign trade bank.

It is also estimated to owe between $5bn and $8bn to foreign enterprises, especially German and Finnish companies, for goods and services supplied over the past year.

This debt is largely unsecured by bank guarantees. The financial crisis is worsening amid, at best, mixed signs that the authorities can control the slide in the economy.

The Ukraine, the second largest republic, seems increasingly unlikely to sign the union treaty this year – if at all. Leaders of the majority grouping in the Ukrainian Supreme Soviet said yesterday they no longer believed it could be signed – while Mr Vladimir Shcherbakov, the Soviet first deputy prime minister, told the all-union Supreme Soviet that the Ukrainian government's decision not to sign was "illegal" and motivated by a desire to protect its own market.

However, Mr Narsultan Nazarbayev, president of Kazakhstan, said in Moscow last night that the government's anti-crisis plan was "market oriented" and that it would allow all republics to take control of the enterprises on their territory from this month.

Mr Nazarbayev said he supported the plan drawn up by Mr Grigory Yavlinsky, the former Russian deputy premier, in association with Harvard scholars – although he echoed Mr Pavlov in saying that reform would proceed even if no assistance was available.

"We should not act like beggars," he said.

Mr Pavlov said yesterday the figure of 77m tonnes of grain which he had told republic leaders might have to be imported this year, might not be needed if the harvest was collected efficiently and if animal fodder was imported from abroad. He said that a figure of 180m-190m tonnes of grain, given as a forecast, was the amount he expected in warehouses, not the total harvest.

Camels rescue Soviet smoker; Yavlinsky in search of converts, Page 3

Donald plays trump to win Marla's hand

By Nikki Tait in New York

MR Donald Trump, the New York-based property developer and casino owner, set off some early fireworks yesterday – as the US prepared for today's pyrotechnical celebration of independence – by telling a television chat-show he was going to marry Miss Marla Maples, the blonde bombshell from Georgia.

This is almost as momentous as Mr Trump's multi-billion dollar debts. Only last week the New York Post, one of the city's racier tabloids, splashed its front page with the three-inch headline: "It's over."

Miss Maples, who became Mr Trump's companion shortly before his break-up with former wife, Ivana, last year, was said to have become too intense for the tycoon.

Since then, the US media has been having a field day – with not a little help from the 45-year-old divorcée.

Mr Trump, the press decided, had switched his attentions to a leggy Italian model named Carla Bruni, who the media christened the "Sicilian Sizzler". Marla dumped Donald, not vice versa, declared one of the Post's rivals. The Donald, in his newly unencumbered state, was demanding AIDS tests before "getting serious" with new girlfriends, suggested a third.

Yesterday, no one in Mr Trump's office was bursting to elaborate on the latest announcement – made by the businessman on a live TV show – although it did confirm that the marriage was on. Quite what the financial aspects of the deal might be are also unknown: Ivana signed up for a pre-nuptial agreement which promised her custody of the children and $25m, but that was in the days when business was booming and property values were on the rise.

Donald Trump and his betrothed, Marla Maples: the blonde bombshell who beat the Sicilian sizzler

Still, with Trump currently marketing apartments on Manhattan's Upper East Side, the latest blitz of publicity will hardly hurt. And, who knows, it might even attract a few extra punters to the deeply-depressed casinos in Atlantic City over America's holiday weekend.

Observer, Page 10

French abortion pill given UK approval

By Daniel Green in London

BANNED in the US and called "the moral property of women" in France, the abortion pill was yesterday approved for use in the UK.

The drug, RU-486 or mifepristone, will be available from later this month in British hospitals and clinics licensed to perform abortions.

In combination with a dose of prostaglandin, it causes abortion in 95 per cent of women who receive it, and is approved in the UK for women up to nine weeks pregnant.

The efficacy of the drug has triggered intense opposition from anti-abortion groups. "We have received threats to boycott our products," Mr Tony Eaton of Roussel Uclaf, the French maker of the drug, said yesterday.

Such threats are not new. Within weeks of its launch in France in September 1988, protests from anti-abortion groups led Roussel to suspend production. The French government quickly ordered Roussel to reverse its decision.

In the US, campaigners have threatened to boycott goods sold there by Roussel's German parent company, Hoechst. In 1989, the US Food and Drug Administration banned the import of RU-486. Individual states have had to pass legislation to ask Roussel to supply RU-486 for clinical trials.

In April, the mayor of New York City, Mr David Dinkins, sent a letter to mayors of other large cities, asking them to join a campaign in favour of clinical testing for RU-486.

At clinical trials conducted by the British Pregnancy Advisory Service, about half of the eligible women chose to use the drug rather than opt for a 10-minute operation under general anaesthetic.

This mirrors the French experience, according to Roussel, and would translate into about 30,000 abortions a year in the UK.

Controls will be tight in the UK and the drug will not be a bonanza for either its maker or the National Health Service. The cost of a three tablet course is £42.50, to which should be added clinical expenses and the cost of the prostaglandin.

According to the BPAS the total is likely to be at least that of a health service abortion – between £155 and £250 depending on location and whether the woman stays overnight in hospital.

Apple and IBM venture

Continued from Page 1

puter operating system jointly developed by Microsoft and IBM; and Apple Computer's Macintosh operating system.

● Apple and IBM will work together to integrate Apple's Macintosh personal computers into IBM-based corporate computer networks. The companies will jointly develop networking and communications products. IBM and Apple will also develop and market an enhanced version of AIX (IBM's version of Unix) to run on each company's products.

● Apple will adopt IBM's reduced instruction set computing (Risc) microprocessor chips for use in future versions of its Macintosh computers. Motorola will develop a single-chip version of IBM's RS/6000 Risc microprocessor chip set and will supply the chips to IBM and Apple.

● IBM and Apple will work together to develop an industry standard for implementing "multi-media" applications.

On Wall Street, Microsoft shares fell sharply, trading around $62¼ at midday after closing at $68¾ on Tuesday.

Yugoslav fighting spreads

Continued from Page 1

Mr Kacin added that a three-man Slovenian delegation met Defence Ministry officials and representatives of the 5th Army District, which includes the rebel republic.

Confusion about the military's intentions increased after General Andrija Raseta, second-in-command of the Fifth Military District, which controls Slovenia and Croatia, told reporters in Zagreb that a ceasefire had been declared.

"The army will not occupy Slovenia", he said. "The Yugoslav Peoples Army will hold its fire. There will be no military takeover", he added.

He said that all units of the Yugoslav People's Army had received orders to cease fire. "They may open fire only when attacked." However, there was no formal confirmation from the army's high command.

The UK yesterday halted exports of military equipment and high technology goods to Yugoslavia. Officials said the licenses cover military equipment and other items that may have military use.

India raises rates and devalues rupee

By K.K Sharma in New Delhi, R.C Murthy in Bombay and Alexander Nicoll in London

INDIA yesterday devalued the rupee for the second time in three days and raised interest rates as an International Monetary Fund mission set out for New Delhi to discuss the new government's plans to deal with its balance of payments crisis.

Dr Manmohan Singh, the former central bank governor who was appointed finance minister last week, said the devaluation was meant to demonstrate that the government was capable of taking "quick, hard and sensible decisions" and sent out the clear message that "the country is back in business".

The Reserve Bank of India, the country's central bank, raised the bank rate by 1 percentage point to a record 11 per cent, in an attempt to reinforce measures intended to slow money supply growth and cool the economy.

The two-stage devaluation has meanwhile depreciated the rupee by a total of 18.74 per cent against the dollar and 17.38 per cent against sterling. The new official mid-rates are now Rs25.95 to the dollar and Rs41.59 to the pound.

Dr Singh said the measure was aimed at ending speculation that could have led to a run on the rupee. The government would find it difficult to withstand a run, with foreign exchange reserves believed to be down to a precariously low level of around $1bn.

Underlining the problems was the disclosure that State Bank of India, the country's largest government-owned commercial bank, has not been able to raise the money to repay about $70m due to foreign suppliers of items such as fertilisers, newsprint and phosphoric acid imported by the Minerals and Metal Trading Corporation and the State Trading Corporation.

MMTC said State Bank was finding it difficult to raise short-term credit and bankers acceptances because of the lowering of India's credit rating and adverse reactions in the money markets to India's balance of payments problems.

Indian newspapers reported that the country was seeking a loan from international agencies to enable it to repay debt obligations of around $600m due in the next few weeks.

Though this could not be confirmed, India may be able to draw on quick-disbursing credits from the IMF to help until the government's economic programme is published in the budget on July 24.

India is entitled to borrow a total of about $2.4bn under the Fund's compensatory and contingency financing facility. It drew $1bn earlier in the year to help with effects of the Gulf War, and could only draw the remaining amount if a full IMF programme were in place.

Some of this money, however, could be available to India to help it through its current problems. The facility is designed to help countries which suffer export shortfalls or unexpected difficulties which could jeopardise an already existing IMF-agreed economic programme.

Detailed negotiations on a new IMF programme – India wants a package of $5bn to $7bn from the IMF and World Bank – cannot begin until after the budget.

Yesterday's devaluation was attacked by opposition parties who accused the government of succumbing to IMF pressure.

THE LEX COLUMN

Cold comfort from the OECD

The OECD is far too polite to weigh into the debate about how fast interest rates should be cut in the UK. But its latest outlook does hold out the hope that ERM membership should help reduce core inflation by putting pressure on wages. The growth in unit labour costs in the UK business sector, says the OECD, should halve to 3.5 per cent next year, well below that of Germany. The bad news is that this will be achieved only at the expense of higher unemployment and that real wages will still be rising next year. That suggests the recovery will have to remain anaemic to secure sterling's position in the ERM and keep the medicine working.

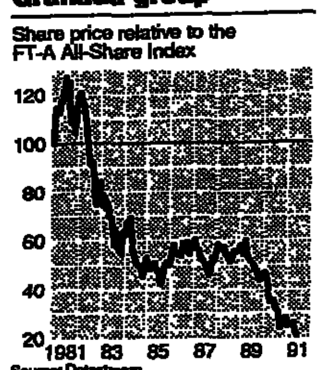
The implication that there is little room for monetary relaxation may not come as much of a surprise. Indeed, not much usually does from an organisation whose reports are sanitised by private circulation to member governments in advance. But the implications for the stock market are scarcely encouraging. For good measure, the OECD argues that investment will not recover quickly either because of the high level of corporate gearing. If that is right, the flood of rights issues in this year's first half will prove more than a transitory phenomenon.

Still, slowing unit labour costs should help keep sterling comfortable in the ERM at a time when the OECD expects tight German money conditions to continue into 1992. One of its themes is that there is generally not much margin for easing monetary conditions in the industrial world without increasing inflationary pressure. Labour shortage and high capacity utilisation in Japan, for example, could still constrain policy there. In that case, the Bank of Japan would have to think carefully before wading in with any more rate cuts, even though the Nikkei is showing signs of slipping back towards the critical barrier of 23,000.

FT-SE Index: 2,448.2 (-12.0)

Granada group

Share price relative to the FT-A All-Share Index



Source: Datastream

UK telecoms

Even before yesterday, Sir Bryan Carsberg had a well-deserved reputation for changing his mind. Last year, the UK telecoms regulator seemed unimpressed by BT's argument that competitors should make a contribution to its so-called access deficit, the £2bn a year loss which the UK's biggest company suffers on local services.

To the surprise of many, Sir Bryan then warmed to the idea in March in the conclusions of Oftel's duopoly review. But now, while retaining the principle, he has modified the rules so that payments by Mercury and the other challengers will, in all probability, be delayed for several years.

Whatever the wider merits of encouraging the competition in this way, the decision is bound to be seen as making more uncertain the regulatory outlook ahead of the forthcoming BT float. The ambiguity as to what Sir Bryan means by market shares is not helpful either. On the other hand, it is possible to argue that yesterday's developments actually clear the air.

Although the change will knock 1 to 2 per cent off BT's previously anticipated profits for 1992/93, BT is hardly likely to pursue the matter by forcing a full Monopolies and Mergers Commission enquiry. That course risks renewed scrutiny of the more valuable prizes – flexible pricing and the continuation of tariff rebalancing, for example – which were won in the March review.

Cable & Wireless is obviously the big beneficiary of Sir Bryan's latest volte face, even if the company's claim that the original rules would cost it £50m a year looked a shade apocalyptic. BT's competitors have a clearer run: in the short term, though, the BT price should derive strength from UK institutions anxious to increase their weightings ahead of the government sale.

Granada Group

Granada's shares have slumped by a third since the rights issue announcement of early May. But at 142p, only a whisker above the deeply discounted rights price, there seems little reason to halt the slide. The company was gloomier about the recession at yesterday's interims than it was two months ago. There is still no chief executive. And there remains the uncertainty of the TV franchise bids, not only whether they are successful but what price has been paid. With the dividend almost halved, the shares are not even high yielders any more.

Analysts

The findings of the latest Extel survey on London's broking analysts suggest that while the fortunes of the securities industry may still be declining, withdrawal by the big broking houses looks less likely than before. Customer dissatisfaction continues to rise: a sizeable majority of fund managers now say that three-quarters of the expensively-produced research they receive goes straight into the bin. But at long last, capacity is falling. By Extel's reckoning, the number of analysts employed in the City is 15 per cent down on a year ago. On other evidence, their take-home pay is dwindling fast as well.

Equally important, the industry is still consolidating. A year ago, only 30 per cent of customers said they used as few as 10 research houses. The figure is now 70 per cent. Within that, the top half dozen are pulling away from the rest. There are shifts in the pecking order: Warburg and Kleinwort up, Capel and BZW down. Overall, the leaders are little changed since Big Bang five years ago.

Granted, research is not everything. Indeed, it may have become nothing more than part of the distribution process, which is as much a cost to the broker as road haulage is to the manufacturer. But now that the fat corporate finance deals which paid analysts' salaries in the late 1980s are a distant memory, the big integrated houses may be driven once more to think of research as a profit centre in itself. The job of the analyst may not be the fun it was. It will be less fun again before the shake-out is finished.

Brent Walker

Further news on the corporate governance front. Before Brent Walker's egm on Tuesday, the board asserted that unless Mr George Walker was voted off the board, the banks would put the company into receivership. In response, just 41 per cent of the company's shares were voted. So much for shareholder democracy.

WORLDWIDE WEATHER

		°C	°F			°C	°F
Ajaccio	S	25	77	Berlin	S	25	77
Algiers	S	26	79	Biarritz	C	16	61
Amsterdam	S	24	75	Bombay	Dr	27	81
Athens	F	26	79	Bordeaux	C	20	68
Bahrain	S	36	97	Boulogne	C	17	63
Bangkok	F	33	91	Brussels	S	23	73
Barcelona	F	25	77	Budapest	F	28	82
Beirut		-	-	Buenos Aires	C	16	61
Belfast	C	17	63	Cairo	S	31	88
Belgrade	F	23	73	Cape Town	F	14	57

		°C	°F			°C	°F
Caracas	C	29	84	Faro	S	22	72
Casablanca	F	23	73	Florence	S	29	84
Chicago	S	18	64	Frankfurt	S	28	82
Cologne	S	28	82	Geneva	S	25	77
Copenhagen	S	23	73	Gibraltar	F	23	73
Corfu	F	22	72	Glasgow	C	17	63
Dallas	S	26	79	Helsinki	S	23	73
Dublin	R	14	57	Hong Kong	C	29	84
Dubrovnik	F	20	68	Innsbruck	S	27	81
Edinburgh	C	14	57	Inverness	C	14	57

		°C	°F			°C	°F
Islamabad	F	41	106	Madeira	F	21	70
Istanbul	S	25	77	Madrid	F	26	79
Jakarta	F	33	91	Majorca	S	27	81
Jersey	C	19	66	Malaga	S	24	75
Johannesburg	S	19	66	Malta	S	26	79
Lima	C	19	66	Manchester	C	18	64
Lisbon	F	20	68	Manila	F	34	93
London	F	21	70	Melbourne	F	13	55
Los Angeles	C	17	63	Mexico City		-	-
Luxembourg	S	27	81	Miami	F	27	81

		°C	°F			°C	°F
Milan	S	30	86	Nicosia	S	25	77
Montreal	S	19	66	Oporto	S	21	70
Moscow	S	23	73	Oslo	S	25	77
Munich	S	25	77	Paris	C	19	66
Nairobi	C	20	68	Peking	F	29	84
Naples	S	26	79	Prague	F	19	66
Nassau	C	33	91	Reykjavik	C	14	57
New Delhi	C	37	99	Rhodes	S	25	77
New York	C	20	68	Rio de Janeiro	F	28	82
Nice	S	24	75	Rome	S	24	75

		°C	°F			°C	°F
Salzburg	F	24	75	Tenerife	S	24	75
San Francisco	S	13	55	Tokyo	C	26	79
Seoul	F	29	84	Toronto	S	20	68
Singapore	C	28	82	Tunis	F	30	86
Stockholm	S	24	75	Valencia	F	23	73
Strasbourg	S	29	84	Venice	S	29	84
Sydney	S	16	61	Vienna	F	23	73
Taipei	F	35	95	Warsaw	F	24	75
Tangier	F	24	75	Washington	C	24	75
Tel Aviv	S	27	81	Zurich	S	24	75

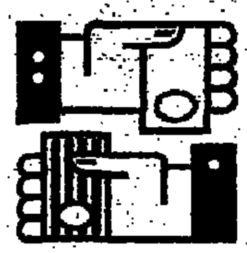
Temperatures at midday yesterday C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sunny Sl-Sleet Sn-Snow T-Thunder

FINANCIAL TIMES SURVEY

EUROPEAN INVESTMENT LOCATIONS

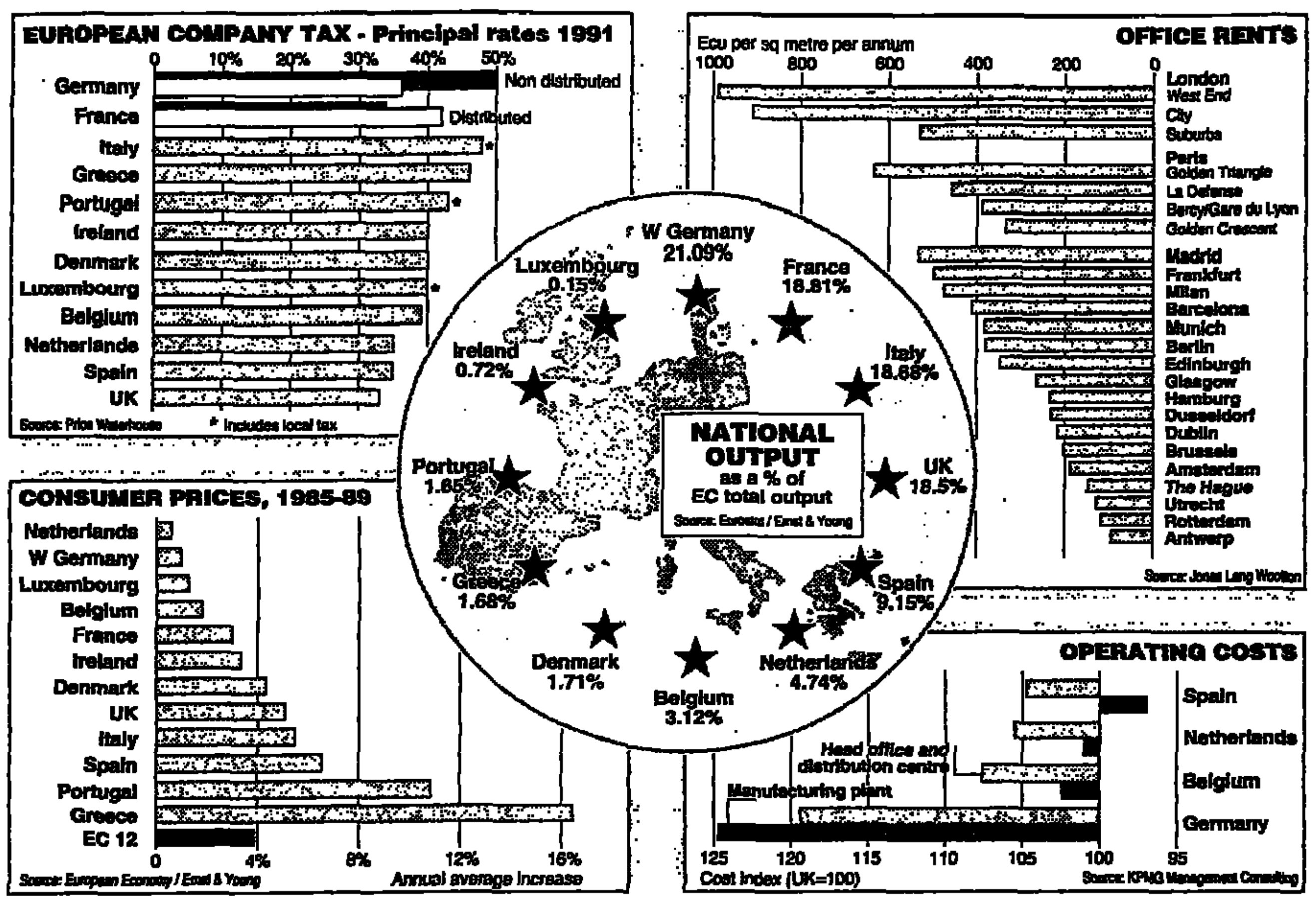
SECTION III

Thursday July 4 1991



For investors and companies alike, the task of finding the best-suited locations for business in Europe is becoming increasingly complex, explains **Michael Cassell**, Business Correspondent

A rethink in corporate strategy



THOUGH a surprisingly large number of companies still confess to being unclear about the likely impact on their activities of the completion of the European internal market, the countdown to a frontier-free Europe is provoking a far-reaching rethink of corporate location strategy.

For generations, most companies simply soldiered on where they began or chose from a limited range of domestic locations predicated on an equally limited number of factors affecting their efficiency and success.

But the task of choosing the right spot in one of the world's mightiest markets has now, like the community itself, taken on much broader parameters. Instead of opting for Birmingham and Bath, Lyon or Lille, Haarlem or Hilversum, the truly European business may now choose between Sheffield and Stuttgart, Marseille and Madrid.

At the same time, non-European companies remain anxious to secure or step up their presence within the Community before 1992. In spite of community rejections of such a vision, fear of a "fortress Europe" lies behind much of the recent wave of investment.

While Japanese companies show no inclination to rein back on the broad range of investments being made across Europe, the recent strength of US investment – $12bn worth of acquisitions in Europe were recorded in 1990 – appears only to have been moderated by the effect of the domestic recession. The list of considerations is daunting and there is, in the opinion of specialists like Ernst & Young Corporate Location Europe, no single or simple answer to the question: "Which is the best location in Europe?"

There is, instead, a trade-off between advantages and disadvantages. West German cities win hands down when it comes to accommodating European headquarters. But the country imposes one of the highest total corporate tax burdens in the community.

Monthly telecommunications costs for multinational business users are lowest in the capital cities of Belgium and the Netherlands are half those of Spain, according to recent surveys – but labour costs in Belgium can be twice those in Spain and Ireland. Denmark emerges as the cheapest location in Europe for telecommunications.

Each business has to rank its own priorities from a long shopping list of considerations, which nowadays includes issues like the "quality of life." But the process remains, for many companies, a largely hit and miss affair.

According to Mr Giles Cattermole of Braxton Associates, the international strategy consultants who specialise in relocation advice: "Industrialists seeking to relocate and regions seeking inward investment are playing opposite sides of the same game – but mostly on different playing fields.

"It ought to be a mating game, with each side looking for points of attraction in the other, until they decide they have found the ideal partner. In practice, it is often a dialogue of the deaf."

Companies frequently set out with unformed ideas about what they are looking for, he adds; they know only where they do not wish to go.

Important developments beyond the present borders of the European community – notably possible agreement between the EC and European Free Trade Association member states on the creation of a European Economic Area – provide an additional calculation to be weighed in deciding where to invest.

The political revolution just beyond western Europe's borders adds another unsettling dimension to the issue.

The prospect of increasing trade and closer economic co-operation with the newly-liberalised countries also holds out the opportunity for former eastern bloc states eventually to offer attractive, low-cost manufacturing bases.

East German companies have been put up for sale by the Treuhand agency in an unprecedented wave of privatisation fraught with difficulties. But the process has at least provided an insight into the formidable economic potential awaiting an expanding Europe of free markets.

The panoply of change across Europe, according to Mr Bruce Millan, the EC Commissioner for Regional Policies, reinforces the urgent need for regions within the EC to develop strategies which will allow them to build competitive strengths in a wider European market.

Not every European country, region and company can expect to emerge as winners from the race to win investment, though strenuous efforts are underway to ensure that the rich EC regions do not continue to get richer at the expense of the poor.

The impending arrival of the single market, carrying with it the danger of increasing economic polarisation, only gives the task added urgency.

A popular hypothesis is that economic activity is increasingly being concentrated in the so-called Golden Triangle of Europe, broadly running from London across to Frankfurt and down to Turin.

The reputation of some of the regions at Europe's economic core have been enhanced by politically active and autonomous regional authorities, with areas like Baden-Wurttemberg, Catalonia, Lombardy and Rhone-Alpes particularly successful in creating supportive climates for high-technology industries.

But while it is clear that the areas at the centre of the Community have been at the fore economically, it is equally the case that many of the fastest-growing regions lie elsewhere, as far afield as Ireland, Portugal and Greece.

According to Mr Millan: "It would be wrong to accept this pull towards the centre as an inexorable trend. In the first place, demographic trends indicate it is countries on the geographical periphery of the Community, such as Portugal and Ireland, which will see the biggest increases in the indigenous population and labour force".

While the European Commission wrestles with the levers of economic and social cohesion to provide common opportunities for member states, the regions, cities and towns of Europe are stepping up efforts to attract a share of the investment funds flowing into and around the community.

A report on European regional incentives produced by the University of Strathclyde suggests a period of very significant change is underway in the field of investment incentive packages.

The report highlights the recent introduction of new regional incentive legislation in Denmark, Portugal and Spain but also shows that many other member states continue to subject regional policy to review; the pendulum appears still to be swinging away from automatically administered schemes and firmly in favour of a more discretionary approach to the granting of funds.

But the changes to the European investment incentive regime come in the face of increasing evidence that companies do not regard the availability of regional aids to business investment as the first priority in the list of considerations which determine location. They are, instead, more likely to want satisfying about the availability of credit and a business-friendly attitude on the part of public authorities.

A recent survey by the IFO Institute for Economic Research in Munich examined the thinking behind investment decisions by 9,000 companies in both prosperous and problematical EC areas.

The survey, which identified the national and regional factors affecting regional competitiveness and, hence, the choice of investment locations, cited proximity to customers and suppliers, modern communications and high quality business services as important factors. Serious shortages of qualified labour and local taxes were among the most problematical issues. The survey also revealed a less than wholly optimistic assessment of the impact on individual businesses of the internal market.

Around a third expect positive effects from a barrier-free fully integrated, competitive market, while a similar proportion regard the development as no more of a promising opportunity than a potential threat.

The balance either believed 1992 was bad news or declined to take a view. Such indifference is unlikely to auger well once the gloves come off in 18 months' time.

IN THIS SURVEY

The EC pays greater heed to regional wealth variations, says **Michael Cassell**

Responsibility shifts to the centre

THE COMPLETION of the European single market is expected to provide the community with a 7 per cent boost in non-inflationary growth and up to 5m extra jobs. The less optimistic view is that a free market without frontiers will only widen the gap between those areas which flourish within the EC, and those which have relatively little to show for membership.

Though the evidence suggests that companies making investment decisions are not unduly influenced by the availability of targeted incentives, they are supremely concerned about the scope and quality of supporting infrastructure.

It is in this respect that European Commission funds have an important role to play, and should prove decisive in helping to reduce the gaps in living standards around the community and in ensuring the balanced development of EC regions.

In order to do this effectively, the Commission needs to maintain a dialogue not only with governments and in turn, the agencies responsible for localised investment, but with the business community itself.

There has been criticism that Brussels has not paid enough attention to the views of the corporate sector, which sees itself as the "end-user", in formulating community-wide economic strategies. Having rejected the charge, the Commission has nevertheless been stepping up efforts to stimulate an exchange of opinions and to keep in touch with the requirements of a corporate investment community which can help make or break local economies.

The chances of success for companies – and hence the capacity of a region to attract investment – depend on a number of factors. Potential investors will want to know if there is a nearby airport link,

European Commission *funds for development* have an important role to play

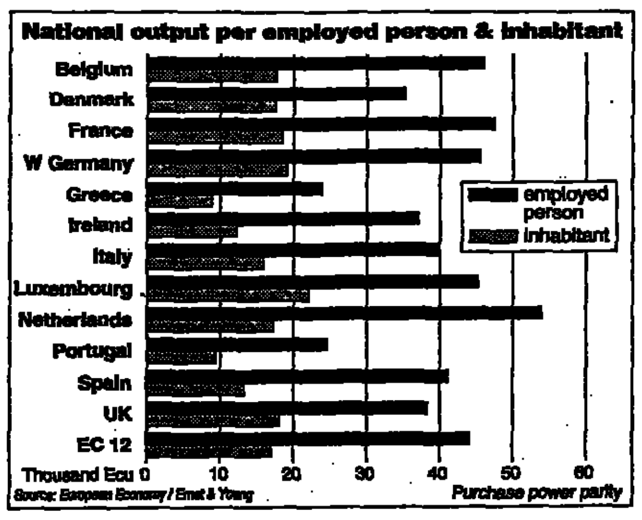
how quickly and cheaply they can reach ports and railways, the quality of the labour force, and what living conditions are like for executives and their families. Locations deficient in some respects are likely to lose capital and labour to more attractive regions.

Companies left in the peripheral regions are likely to incur a range of disadvantages, ranging from greater transport costs, less influence on more centrally located decision-makers, less choice in terms of suppliers, smaller markets and bigger recruitment problems.

There may, however, be some advantages in locating in the so-called intermediate areas, situated between the prime and peripheral locations. Labour may be more available and cheaper, there is likely to be less congestion, lower rental and land costs, and greater availability of government and EC grants and loans.

A recent EC Commission study examined the issue of access to the big markets of the community. The "golden triangle" regions, covering 5 per cent of the EC's land mass but 25 per cent of its purchasing power, were understandably found to be the best located.

In contrast, Portugal, Spain, southern Italy, Greece, Ireland and Scotland – between them accounting for 45 per cent of land area and only 15 per cent of the EC's purchasing power – were considered the most peripheral.



Source: European Economy / Ernst & Young

Despite some narrowing of such disparities, prosperity levels in countries such as Greece and Portugal are less than a third of those in richer areas such as Stuttgart, Lombardy or greater London. The challenge to the Commission is to equalise conditions, restore confidence in Europe's many economic "blackspots" and so ensure every community has the opportunity to benefit from economic growth. Until recently, individual governments have been left to tackle the problem while the EC has provided both funds to support national efforts and regulations to ensure those initiatives do not distort competition.

Now the frontiers are coming down, the problem of disparities becomes one for the EC as a whole, which can only benefit from the spread of prosperity and the creation of growing markets.

The Single European Act brought with it complete reform of those instruments designed to enhance social and economic cohesion, laying heavy emphasis on the need for effective participation of authorities at all levels. At the same time, the EC's structural funds have been significantly increased, to the extent that by 1993 they will have been doubled in real terms from the Ecu7bn budget of 1987, to account for one quarter of the total EC budget.

Most of the additional assistance is going to the poorest regions but significant support is also being given throughout the community to the regeneration of declining industrial areas and to rural development.

The Commission readily recognises that the task is a long-term one, requiring an integrated effort base on a blend of public and private initiative.

According to Mr Bruce Millan, the EC commissioner for regional policies: "The Commission is only too well aware that the success of regional policies will ultimately depend

The Commission aims *to restore confidence* in Europe's many economic 'blackspots'

on the influence which it can have on business location and investment decisions.

"For this reason, we are concerned to ensure that our policies are attuned to business needs and that the business community for its part knows about the community's regional policies, priorities and programmes."

Within the structural funds, resources are primarily allocated to reduce regional imbalances, to support vocational training, retraining and recruitment of the young and to help improve conditions for agricultural production and marketing.

Additional funds can be made available from the EC budget for environmental protection, transport modernisation and the development of energy resources. The EC can also give additional loans for regional and industrial projects via the European Investment Bank and the European Coal and Steel Community.

The Commission is pledged to carry out a mid-term review of the reformed structural policies at the end of this year, and it is likely the outcome will result in renewed impetus to strengthen both the strategy of assisting weaker regions and the resources available to do so.

But the Commission readily recognises that, however much community funds are increased, their impact on ironing out the rich and the poor regions can only ever provide the necessary catalyst for action by a business community whose efforts will prove decisive in efforts to create a universally prosperous Europe.

CORPORATE TAX REGIMES

Variations remain wide

IN 1975, the European Commission, as part of its proposals to harmonise corporate taxation, suggested that member states should set their corporate tax rates within a band of 45-55 per cent.

Not only has the proposal been abandoned, but 16 years later the average principal corporation tax rate within the community is about 36 per cent, with the UK rate currently being the lowest at 33 per cent.

The highest rate of 50 per cent is imposed by Germany on undistributed profits.

The pressure for a reduction and convergence of rates in Europe has largely been brought about as a result of competition led by the UK in lowering corporate tax rates. Not all member-states have approved of this competition and indeed Belgium has taken the matter up with the GATT in order to combat what it regards as unfair competition.

Although tax rates have fallen across Europe, the variations between member states remains wide enough to be a significant factor in choosing the best business location. It is obvious that with a 17 per cent spread between the highest corporate tax rate in Germany and the lowest in the UK that the amounts required pre-tax in order to earn the same post-tax return in both countries is markedly different. However, the headline rates are often only an indication of the effective rate.

Other issues such as rules relating to depreciation, cost of debt, equity and retained earnings must be taken into account.

In addition, where a cross-border investment is concerned, the issues become more complex. The results are likely to be different where a company invests in its own home country and where it invests in another.

A comparison is, therefore, necessary of the tax treatment both of foreign source income in the investor country as well as the manner in which the host country taxes foreigners. The answers to these questions will not be the same in every case, since each member state has entered into a network of tax treaties which provide differing treatment to investors from different countries.

Further incentives to shop around for investment locations are provided through a wide range of tax incentives offered by member states.

For example, the Irish manufacturing incentives and the Dublin Customs House Financial Service area offer investors a tax rate of 10 per cent which has clearly contributed to significant investment in those areas by multinational businesses.

Investment incentives in the form of tax holidays and exemptions for reinvestment of profits are to be found in countries such as Portugal and Spain. Greece has long operated a beneficial regime exempting profits from the operation of ships under the Greek flag.

Other incentives such as the Belgian Co-ordination Centres attract headquarters operations. Italy gives exemptions from taxes for industrial investment in the impoverished Mezzogiorno region. Portugal offers a tax free zone in Madeira. And there are many others.

The two corporate tax harmonisation Directives adopted by the European Community in 1990 will have some limited impact on investment decisions. In particular, the parent and subsidiary company Directive is aimed at eliminating withholding taxes on dividend payments from subsidiaries in one member state to parent companies in another.

It also seeks to avoid double taxation of profits in the subsidiary and again in the parent company on distribution. A follow up Directive dealing with interest payments and royalties has been proposed. This will exempt royalties and interest payments flowing across borders within the Community.

The Commission has appointed a committee of experts under the chairmanship of former Dutch finance minister Onno Ruding to consider the future of harmonisation of direct corporate taxes in the Community. It is required to present its findings by the end of the year.

The main issues are:

- Whether current disparities in levels of tax distort investment patterns in the EC and, if so, is Community action necessary to redress such distortions or should market forces be left to influence member states?
- If Community action is appropriate, what areas of taxation should be addressed – the tax base, nominal rates or tax regimes according to the legal entities conducting business?
- Is the most appropriate response through harmonisation, approximation of systems or the creation of an EC framework?
- *What effects will it have* on under-developed areas of the Community, small and medium sized enterprises and the environment?

Given the fact that the introduction of tax harmonisation measures at the Community level requires the unanimous approval of member states, it seems that a unified tax system is a long way off.

The Directives adopted last year have been in draft form for many years, in some cases since 1969. Consequently, companies will have to make detailed comparative analyses in order to determine the most attractive location from a tax perspective.

It will continue to pay to shop around for the best tax deals for some time.

Jonathan Schwarz

The author is editor of the 'FT World Tax Report' and a partner of Stephenson, Harwood, City solicitors).

Rents rise at Europe's hub

Still waiting for a single market in property

EVEN before midsummer night when the Bundestag grasped that it could make history by restoring Berlin as Germany's seat of power, everyone wanted to locate in the city which had been the symbol of Europe's unhappy fragmentation and is now the burning hope for its renewal.

Since the Wall came tumbling down, rents have doubled to around DM65 or 70 per square metre in the west and as high as DM120 per square metre in the east where the stock of commercial office space is effectively non existent.

So acute is the shortage of supply that few businesses of any size will be able to find space to rent at any price for several years while the planners catch up with a backlog of 15 years' building stagnation during which only 609,000 sq. metres of new space were completed.

Even those who want to own their own buildings and are prepared to construct them from scratch will be held back at least until the planners have completed a masterplan for the reunited city.

It may therefore be no bad thing that it will take at least four years to transfer the Bundestag to Berlin and as many as 10 years to relocate the ministries. That may give the city time to catch up before a new flood of politicos joins the commercial demand already threatening to swamp it.

Other traditional centres of attraction in Europe will also be grateful if Berlin is unable to satisfy all its demand for a period. Many of them, having experienced strong growth

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EUROPEAN INVESTMENT LOCATIONS 3

Barry Riley looks at prospects for London, Paris and Frankfurt as financial centres

Big three join battle for supremacy

IN THEORY there no longer needs to be financial centres at all. Modern information technology hooked up by satellites and optical cable can mean that a trader far away in the countryside can have all the screens and voice links required to be right in the middle of the electronic market place.

It can even be argued that the struggle for supremacy among European financial capitals is irrelevant, and that the idea that the location of a future European Community central bank will have tremendous geographical implications for the financial services industry is simply old-fashioned.

That is one theory. But, in the end, financial centres are about people, and people tend to be gregarious. You need a critical mass of salesmen and traders, a similar quantum of back-office staff who are capable of sorting out the snags when deals go wrong, and all the programmers and technicians who make the equipment work. What is more, such people must be available for hire, and not locked up in lifetime employment with local universal banks.

This focus on people explains why financial centres still have a strong geographical concentration. In such compact areas an efficient labour market can develop, so that people can pursue a career from firm to firm without necessarily uprooting families or even altering their route to work.

However, the premium rentals which at one time were paid for positions near the centres of the financial districts have tended to fall. Firms no longer need to be quite so close to the stock market, the money market and the commodities exchanges because there is a smaller and smaller requirement for papers to be physically distributed.

Such trends have encouraged the development of satellite centres. Paris has its big new commercial centre out at La Défense, New York has expanded into the mid-town area, and now Canary Wharf has been optimistically developed a few miles to the east of the City of London to accommodate the expected growth of the UK capital as a European financial services centre.

London remains Europe's dominant centre in many aspects of international finance, but it is up against stiff competition. Paris has gone through its own Big Bang and whereas until 10 years ago it was a very inward-looking centre, today it has serious ambitions. Then there is Frankfurt, benefiting from its position at the financial centre of Europe's most powerful economy. Frankfurt, too, has been getting its international act together, for example by modernising the fragmented and regionalised German stock market.

In the end, financial centres are about people, and people tend to be gregarious

These are the big three. Elsewhere, national financial centres either suffer from insularity, like Milan, or from the lack of a large enough economic hinterland, which is Amsterdam's problem.

London remains Europe's leading financial centre, and it has a long history as an outward-looking centre to support it. Alone in Europe it has made successful efforts to internationalise its stock market, and traded £150bn of foreign stocks last year, against the mere £4.3bn of non-German equities traded in Frankfurt. London transacts more than a quarter of the volume of French equity business that is done in Paris.

High costs have been London's main problem, but the property glut is helping to cure that. London is strong in international fund management, especially equities, and has the world's biggest foreign exchange market.

Poor infrastructure is probably its biggest current drawback, and house prices are still high by most Continental standards. There were fears that London might become marginalised if the UK stayed out of full membership of the European Monetary System but that difficulty was resolved last October. Londoners are still concerned that the lukewarm attitude of the British government to European integration could count against it in the location of future central banking institutions. However, London won the new European Bank for Reconstruction and Development.

Frankfurt has been busy curing some of its weaknesses, for instance by asserting its dominance over the fragmented German stock exchange. The unification of Germany has boosted its potential power, and indeed the shifting of the centre of gravity of the EC eastwards, taking in Sweden and Austria as well as East Germany, and the scope for further development in Eastern Europe, give it strong cards to play.

Against that, Germany has a history of heavy-handed regulation and limited innovation in the financial markets, so that it has been very late into the financial futures business. Moreover Frankfurt just might face a distracting internal challenge from Berlin, which after nearly 50 years is to become Germany's political capital once again.

As for Paris, it has spent enormous sums on developing its infrastructure and has introduced amazing reforms to its major markets so as to compete on the international stage. However, it is still dogged by a history of political interventionism: in the past the finance industry in France has been forced to serve the interests of the state and big business rather than the clients.

Several big banks and insurance groups continue to be state-controlled, and France has a Socialist government. France is leading the way in some aspects of protectionism, for instance in attempting to ensure that the draft Financial Services Directive gives protection to national bourses. Still, Paris is a serious player, and plays host to about 280 foreign banks, which is more than Frankfurt (250) although far short of London's 480.

Exactly how much of the European time zone financial business is carved up between these three centres, and in what proportions, will depend on many factors. London's lack of any elected political boss who could promote the City's virtues might prove a disadvantage, and sympathetic national legislators may prove to be less important in future as common EC law and regulation becomes more and more dominant.

Language, culture, location and image will all count. But no doubt political string-pulling in Brussels and Strasbourg will also be important.

Continued from previous page

over the second half of the 1980s, now appear to be hanging fire.

Some, such as London and (to a lesser extent) Madrid, are suffering a setback.

It may not be irrelevant that those most visibly caught in the doldrums are among the most expensive.

Ian White, a director of estate agents Richard Ellis, makes the pertinent point that occupiers are interested in minimalising costs. "As rents rise they look for alternatives such as buying outright."

Certainly one of the most healthy rental markets is Brussels which happens also to be comparatively cheap.

According to Richard Ellis's own figures for total occupation costs, an office next door to the Eurocrats would cost the equivalent of only $37.35 per sq ft, a fifth of the overall costs of $186.22 in London's West End.

For many companies, those cost comparisons reinforce Brussels' inherent attraction as the geographic and (possibly) political centre of Europe.

It is not just the Japanese who believe that the natural place for a European headquarters is where the Euro movers and shakers hang out.

Such considerations aside, agents report a noticeable bias towards northern Europe among those wanting to make their presence felt in Europe. The southern countries (cruelly dubbed the "Club Med" by northerners) come a poor second.

All location decisions result from the pull between four factors: short supply lines, suitable on-site resources, access to markets and cost.

Today's would-be pan-Europeans are satisfied that the markets, the skilled staff and the infrastructures point north. That does not mean that all southern cities are cheap

Today's would-be pan-Europeans are satisfied that the markets, the skilled staff and the infrastructures point north.

That does not mean that all southern cities are cheap. Local and regional demand keeps Madrid – at $79.49 – the third dearest in Europe. Milan ($77.83) costs more than Frankfurt ($72.11) and Barcelona ($66.02) only slightly less.

As Berlin demonstrates, shortage of supply has a major effect. Paris may be going through a period of *l'attentisme* with rents making no ground and tenants dragging their feet, but with vacancy rates of only three per cent in the CBD inner core, the present surge of new building will do little more than restore equilibrium. Paris, where accommodation costs are around $105, is not likely to drop from second position.

Most inward investors trying to weigh the respective merits of the main centres will need their hands held by experts. Not only local taxes, but leases and the very basis on which rents are calculated vary enormously.

Weatherall Green & Smith, one agent which translates international costs into sterling equivalents, produces a chart bristling with footnotes.

Space can be measured as the net floor area for office use (minus toilets or other internal facilities) or as simple gross overall area. Leases can range from a low of two years to the 25 common in Britain. Rents can be payable monthly in advance, or quarterly – which can make a difference to cash-flow.

Only in Britain are rents automatically adjusted upwards every five years to full market rates. Not even the archetypal Euro tax, VAT, is levied at the same rate or on identical terms. A single market in property has most definitely not arrived.

Christine Moir

Deciding correctly is increasingly hazardous

Professional help is readily available

CHOOSING a location is a complex task. Sophisticated skills are needed, some of them outside the normal executive range. Fortunately, professional help is available – from an increasingly wide range of sources.

Until the approach of the European single market boosted the volume of cross-border relocation decisions, the consultancy market had been left to the international property agents (most of them British in origin) who have had branches in all the main commercial centres round the world for upwards of 20 years.

Initially, company executives would make their own decisions about where they wanted to locate, then commission agents to find them a suitable building or site. As time went by the agents became able to offer additional services, both before and after the property search stage.

For many years, the leading firms have published global property market statistics which allow corporates to compare accommodation costs in different regions – thus influencing the location choice at an early stage.

Their natural affinity with architects and builders encouraged a tendency to develop their own project management skills to the point where they can skillfully monitor building progress and/or provide many construction services.

Increasing familiarity with particular markets also gave them an ability to guide clients through the maze of local regulations.

The most recent addition to their arsenal has been personalised overall advice on property asset management. Ian White, a director of Richard Ellis International which has a specialist corporate real estate subsidiary in New York devoted to cross-border relocation assistance, talks in almost holistic terms about how a client "invests its property dollar". Richard Ellis is, for instance, advising Hertz on its overall European expansion plans. "The actual property search is often right at the end of what we do, sometimes a year after our main report to the client," says Mr White.

Such energetic sparring can only be good for the customer

In broadening the range of location advice beyond pure property matters, however, the estate agents have opened this market up to outside competition, mainly from the international accounting firms. While the property specialists have been widening their skills from a basis in rent negotiation and valuation, the accountants have developed important management consultancy operations on the back of their book keeping and number crunching reputations.

A number of them have begun to extend into the area of relocation. One such is Touche Ross which, among other clients, advised both Nissan and Toyota on their decisions to base their European headquarters in Britain. John Everett, who heads TR's Major Projects Group, says that his 45-strong group is evenly divided between accountants, engineers and property specialists, as half of the work of the division is generated by relocation demands.

There is no doubt that the management consultants intend to compete head on with the estate agents. "We hold our client's hands right through the entire process", says Mr Everett, "including the property search. But we don't try to second guess the professional chartered surveyors whom we rely on to put forward individual buildings or sites to our client."

The chartered surveyors, for their part, refuse to accept such a narrow speciality. They regard the whole process as a natural development of the property industry and believe that management consultants have a limited role to play.

The accountants' strong suit is cost analysis. Both agents and accountants agree that minimising accommodation costs is a major corporate priority. In terms of a location decision that factor begins with rental levels or building costs but does not end there. It encompasses grants, taxes, local wage levels, transport costs and a myriad other factors which accountants rightly regard as their preserve.

Not that the accountants, wearing their management consultants' hats intend to restrict themselves to their traditional patch. Mr Everett is satisfied to hold his Japanese clients' hands all the way through to helping them fit out factories, find staff or even provide housing for the staff they have signed up.

Such energetic sparring can only be good for the customer. The location decision will always be a difficult one. *Au fond* it can only be taken by the corporate. But the competition to provide advice and support has improved the data on which the decision must be based and made the process much less lonely.

Christine Moir

Telecommunications services analysed

Reliability is crucial consideration

WHEN a US businessman from West Virginia made a $50 cash withdrawal at Grindlays Bank in Bangladesh on June 2 this year, little did he know that his was the first Visa card authorisation to be routed via Basingstoke, a medium-sized town 50 miles south-west of London.

His transaction marked the opening of Visa's new computer centre in Basingstoke, which will have the capacity to authorise 14bn transactions a year worldwide by 2000.

Visa decided to install the data centre in Basingstoke in 1988, and the ease of providing links to countries such as Bangladesh was one of the factors that influenced the credit card company's choice of location. Visa employed consultants in the UK and in Europe to assess the pros and cons of different countries. They took into account price, availability, flexibility and quality of telecommunications services, before settling on the UK.

Basingstoke was chosen because of its proximity to London, where Visa has another control centre, and to international airports at Gatwick and Heathrow. It was also a good location because unlike many sites outside large cities, it was served by a digital BT exchange. BT has now digitalised the whole of its trunk network, but in 1988, many of them were still using inferior analogue technology.

Many other European networks, however, are still largely analogue outside capital cities. This means that new digital services such as the Integrated Services Digital Network (ISDN) over which voice, data and video can be passed, are not available to companies which decide to locate in such areas. For multinational companies with increasingly sophisticated telecommunications requirements, this can be an important disadvantage.

Europe has been slow to develop new services

Europe has traditionally been slow to develop new telecommunications services, some of which have been available in the US for many years. The situation is now starting to change, however, and with the monopoly status of the old PTTs coming under intense pressure from the European Commission, innovative and technologically advanced new services are coming on to the market. Nowhere has innovation been given a better chance to flourish than in the UK. Following the completion of the government's review of the telecommunications sector earlier this year, all telecommunications services, with the exception of international traffic which will remain a BT/Mercury duopoly, will be open to competition.

And the British government certainly believes that the competitive environment will act as a magnet to countries outside Europe seeking out a European headquarters.

John Redwood, minister for corporate affairs and telecommunications, claims that "London has become a kind of Mecca for telecom pilgrims who want to see the true faith". He expects to see international companies "locating their worldwide telecom headquarters here in the UK, because it is at the centre of crucial time-zones between Japan and America, and is at the centre of technological developments in telecommunications."

The minister's vision of a highly competitive market, pulling down prices and hoisting up quality, may be premature. But the UK is undeniably

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IN THE EC'S HEARTLAND

Steady farewell to handouts

ALTHOUGH Belgium has investment incentive schemes, these tend to be overshadowed by more significant reasons why companies want to invest there. *It is the hub of the* European Community's densest industrial area as well as its *political headquarters. When* its high industrial labour costs are cited, so are the high-rank*ing productivity* and skills of its workforce.

Public incentives to new investors without special qualifications, however, are on the wane. From August this year, the Flanders Investment Office (FIOC) and its counterparts in the regions of Brussels and Wallonia will have fewer handouts to sway potential investors.

As in most EC states, prospects of the single European market have thrown Belgium's public investment laws into upheaval. For Belgium, the *main sacrifice to the EC's* paring-down of national investment levels will be the loss of its general subsidy law, regarded by the EC as the most biased of its kind in any EC state. The 1959 Economic Expansion Act will be abolished from August.

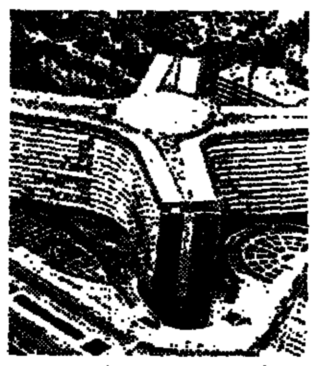
For some regions, and especially parts of Flanders, the abolition of general subsidies will hurt. The 1959 law has for years allowed companies to wriggle round the stricter terms of Belgium's other investment schemes, which help small companies or economically depressed areas. Under the general scheme, almost any company can receive cash grants or interest rate subsidies of eight to 10 per cent of its investment from a regional government. The regions are now trying to devise their own replacements for the 1959 law. The Wallonia region has gone to the EC for a *proposed new set of cash* grant and interest rebate incentives favouring high-technology, energy-saving and environmental projects. Jean-Marie Agarkow, deputy general manager of the Walloon government's foreign investment committee, says he is confident the EC will approve the plans.

Large parts of Wallonia, mainly in the south, are already earmarked by the EC for special aid. Companies *locating there can enjoy* subsidies of 22 per cent of their investment, or 30 per cent in *former steelmaking areas* in Liège and Charleroi.

The loser-areas, in terms of *public grants*, will be *most of* the Flemish provinces, all but three of which have depended *for* assistance on the general subsidy rule.

Both regions are bidding to ease the new restrictions by raising the ceilings under which smaller companies are eligible for assistance. Outside the development zones, the threshold for Belgium's small companies could rise from 50 to 250 employees, which would still be well below the equivalent level in Germany.

As well as the cash grants and interest rate subsidies given out by the regions, Belgium has a host of centrally-organised tax incentives. Most were part of a sweeping new programme introduced in the more sluggish climate of the early 1980s, which is now being tightened up in the build-up to the single European market.



BELGIUM

Tax breaks for companies classified as reconversion and innovation projects were all scrapped last summer, along with a generally unsuccessful scheme which gave 10-year tax holidays to pioneering high-technology enterprises.

However, the most successful fiscal package in Belgium, the so-called Co-ordination Centre Scheme, is likely to stay.

*This offers 10-year tax con*cessions to multi-national groups setting up their admin*istrative headquarters in the* country, so long as they avoid value-adding business activities within Belgium *itself*. Brussels has reaped rewards from the scheme, attracting more than 250 multi-national groups since it was launched in 1982.

Plant location advisers do good business explaining Belgium's mix of regional and national schemes to confused clients. Mr Wilfred Vossen, managing director of Brussels-based Price Waterhouse Plant Location International, which is currently consulting on Toyota's construction by 1992 of a European *headquarters* in *Brussels* and a parts supply plant at Diest in Flanders, says Belgium has specialised in the *tailor-made package* to *suit* a particular project.

Adrian Strain

Europe's changes generate rising inflation

A cloud in the sky

THE dramatic political shifts across Europe in the last two years have restored Germany in its old *function* as the economic hub of the continent. For companies seeking the best *possible market* opportunities to profit from political and economic integration between east and west, Germany *as a vantage* point cannot be ignored.

As the economically strongest country in Europe with a higher population (now nearly 80m) than all others apart from the Soviet Union, Germany looks likely over time to increase its relative dominance in European manufacturing as well as in a range of other *industries*.

For the next year or so, however, it is the problems caused *by reunification – and particu*larly the ensuing financial turbulence – which are likely to catch the headlines.

The skewing apart of the economies in east and west Germany since the reunification process got under way in spring 1990 has made the German investment scene unusually complex. With the forging *together of two disparate parts* of the nation, the comfortable certainties previously attached *to west Germany have been* watered down or have disappeared.

The traditional picture of the Federal Republic as an export-orientated, predictably run country with highly stable labour and management conditions has undergone an intriguing transformation. Inflation – at 3 per cent in west Germany – is low, but rising.

Wage rises in 1991 have been *arguably higher than the coun*try can afford – particularly in the struggling east. It is still not certain whether a united, but more polarised Germany can offer the same excellent record of consensus between government, employers and trade unions which was one of the hallmarks of the old Federal Republic. In short, Ger*many today offers opportuni*ties and pitfalls in equal measure.

For companies wanting to set foot in the centre of Europe, east Germany presents a particular conundrum. On the one hand, the presence of *large* and growing markets as well as of a trained and skilled labour force provides investors with strong potential benefits.

With a fair degree of certainty, the eastern part of Ger*many can be predicted to* be in a few years' time Europe's fastest growing region. On the *other, the entry of the D-Mark*, and the rapid rise of east German wages since unity last year have rapidly removed the country's otherwise considerable advantages as a low-cost production area.

Unity has given an impressive economic boost to west Germany, which saw gross national product last year grow by 4.5 per cent, the fastest since the end of the 1970s. But the introduction of the

GERMANY

hard D-Mark into east Germany in July 1990 (three months before political unity on October 3), and the opening up of the *moribund economy* there to full international competition have had a shattering effect east of the Elbe.

Earlier Bonn government hopes that spring 1991 would see an economic upturn in the east have been dashed. The economic depression in east Germany will probably not bottom out until the second half of this year – by which time industrial output is likely to be no less than 75 per cent lower than in the first half of 1990.

While unemployment in west Germany has dropped back to well below the 2m level, in the early summer in east Germany 840,000 *people* were without work, with another 2m on short time working (*more than* half of them doing less than half their normal work).

One factor behind the sharp rise in the jobless rate has undoubtedly been the *explosion* in east German wages, which in 1991 are calculated to be around 60 per cent above the level of a year earlier. The general level of east German wages is *still* only around *50 to* 60 per cent of those in west Germany – but in a number of *leading areas such as the* public sector and metal-working, wage parity between east and *west is expected to* by 1994.

Since wage rises are running well ahead of productivity *increases, companies have had* little choice but to make even more savage staff cuts than would *otherwise* have been envisaged. The depression in the east has been accompanied by *greatly increased* public sector transfers from west Germany to top up social security payments, *ease* companies' balance sheet problems, boost corporate and infrastructure investment, and clean up the environment.

At the same time, the Bonn government has modified its policies on the Treuhand, the Berlin-based public sector agency which owns the industrial, land and property assets of the holdings of the former communist state. The Treuhand *has* been making a moderate success of privatising assets – above all to west German *companies* – and is trying to internationalise its activities. But it has now been *clearly* given a mandate by the government to intervene with financial help to prevent struggling industrial combines from closing down.

Mr Detlev Rohwedder, the former Hoesch steel chairman who took over as the Treuhand's *chief* executive last year, was murdered by terrorists in a chilling attack at his *Düsseldorf home* in April. Mr Rohwedder, a Social Democrat free marketeer, was moving *towards more interventionist* policies when he was killed.

As foreseen by Mr Rohwed*der before he was murdered*, tragically killed, the Treuhand by the end of the year will have sold the most marketable groups in its portfolio. It will then be left with a ragged *selection* of industrial interests which will in effect introduce *considerable* permanence into its role as a giant state holding company.

As Germany faces up to integration in both east and west Europe, it stands to profit more than any other country if events run smoothly. But if there are setbacks, the country *at the heart of Europe* will experience a sharper and deeper chill than nations at the periphery.

David Marsh

Trevor Humphries

High over London, a British Telecom rigger works on a microwave dish on the London Telecom Tower. Further innovative and technically advanced business communication services are coming on to the market.

Telecoms crucial

Continued from page 3
the dynamo for tariff reform and innovation in *Europe*. Competition to BT from Mercury Communications has brought down the price of the normal telephone *service*, and of the domestic and international leased lines which serve the telecommunications requirements of large companies.

The European Telecommunications 1991 survey published *by Logica, the London-based* consultancy, earlier this year, showed that international *leased lines to the US* were cheaper from the UK than from any other country, with the exception of France Telecom, which is cheaper than BT, but more expensive than Mercury. *The rental charges for national* circuits, meanwhile, are as much as seven times cheaper *in the UK than* France, and only the Netherlands, Ireland and Scandinavian countries have tariffs that compare remotely as favourable as the UK's.

But the UK is not the cheapest *country in Logica's* comparison of public network tariffs. In a comparison of typical monthly *telecommunications* spend by multinational companies, Denmark comes out as the cheapest location in Europe, followed by the UK (Mercury Communications), *Sweden and then the UK* (BT). The baskets are constructed with 30 per cent local calls, 10 per cent *trunk calls, 30* per cent of calls to adjacent countries and 30 per cent of calls to North America.

Prices are by no means the only consideration for compa*nies such as Visa. Reliability is* crucial because the Visa network could not function with*out stable telephone links.* Surveys on the quality of public data services carried out each year by the European Association of Information Services (Eusidic) give North European countries such as West Germany, the Netherlands and Sweden top marks, with failure rates varying from 8 per cent to 15 per cent.

In southern Europe, the failure rate is above 30 per cent. Little information is available *on the quality of* leased lines, and a planned survey by the International Telecommunications Users Group, was abandoned last year.

Flexibility is another key *issue. There are strict controls* on what you can and cannot do with leased lines in many *European countries*, and, generally speaking, there is more freedom in northern Europe than in southern countries such as Spain, Italy and Portugal.

Among the forbidden practices are connecting leased lines with public *networks*, carrying third-party traffic, and reselling or sharing leased line capacity.

Telecommunications services *are rarely the decisive* factor in a company's choice of location.

But in an age where information is becoming crucial, to companies looking for a competitive edge, the price, availability and reliability of telecommunications services cannot be ignored.

Mark Newman

Where geography is the main asset

The market's gateway

FINANCIAL incentives for foreign companies locating in *the Netherlands have always* been modest by the standards of southern Europe or Ireland, *but the availability of subsidies* has dried up even further in recent years as the Dutch gov*ernment seeks to curb spend*ing.

Even without large financial *incentives, however, the coun*try is generally successful in attracting foreign investors. *Rather than relying on finan*cial factors, the Netherlands seeks to compete effectively by *emphasising the efficiency of* its infrastructure, its reputation for good labour relations *and the skills of its workforce*.

In 1988, the country scrapped one of its main financial incentives – the WIR *tax credits on* fixed-asset investments – which were traditionally available *to domestic and foreign* investors alike and which cost the Dutch state several billions *of guilders* a year.

With the demise of these credits, the Netherlands' only direct financial incentive scheme at the national level is a modest programme of investment premiums for companies investing in designated regions with weaker economies in the north, east and south of the country.

The programme, known by *its Dutch initials IPR, offers* premiums of between 15 and 35 per cent on investments in dis*advantaged regions*. The amount available each year is small, generally running between *Fl.200m and Fl.300m* for the country as a whole. The regional investment premiums *for border areas in the south* and east are due to expire in late 1992 and will probably not be renewed because of progress made in improving economic

NETHERLANDS

conditions. The current programme of investment premi*ums for the north runs until* 1994 but will probably be extended.

In addition to the regional scheme, local councils often seek to entice foreign corpora*tions to their communities* by making land available at discount prices.

Government officials dispute the view that the Netherlands lost a significant incentive programme by axing the WIR tax credit scheme three years ago. When the credits were eliminated, the government soothed angry Dutch businesses by reducing the corporate tax rate from 42 to 35 per cent. *This*, officials say, is a lasting financial incentive to set up a company in the Netherlands.

In the race to attract foreign investors in the run-up to the *European single market*, the Netherlands has booked successes in getting US and Japa*nese companies in particular* to set up their European headquarters in the country.

Amsterdam, for example, plays host to the European headquarters of Canon, the Japanese photography and office equipment group, and Nissan, the car maker.

Generally, the Netherlands has little problem persuading foreign transport and distribution companies to set up local *operations*. Rotterdam, the world's largest port, and Schiphol Airport in Amsterdam are regarded as *convenient* jumping-off points for goods arriving and leaving the continent.

According to a recent survey by the Holland International Distribution Council, the country *has captured 40 per cent of* all the centralised European distribution operations set up *by large US and Japanese com*panies in Europe. If smaller companies are included, the *Netherlands has between* 15 and 20 per cent of all European distribution centres main*tained* by US and Japanese companies.

By contrast, the Netherlands has only 7 per cent of *all for*eign industrial operations in Europe. The country makes no real *attempt to compete* with low-wage countries along the Mediterranean for basic, capital-intensive manufacturing. Instead, its promotional efforts are concentrated on attracting *high-technology* enterprises, particularly in the field of biotechnology, to the country.

In 1990, the Netherlands Foreign Investment Agency helped bring 66 new foreign companies to the Netherlands. Of these, nearly 25 per cent set up manufacturing plants, while more than 33 per cent established distribution activities. The rest involved setting up *either* an international services company or a regional European head office.

Ronald van de Krol

EUROPEAN INVESTMENT LOCATIONS 5

Protectionist image has curbed investment inflows says **Barbara Casassus**

A battery of incentives now on offer

FRANCE has taken a number of measures to make life easier for inward investors in the past few years, but has not shaken off its protectionist image.

Before January 1990, for example, companies from outside the European Community had to ask permission to *acquire a French business and* wait – sometimes for many months – *for the finance ministry* to pronounce.

Since then, companies have had merely to inform the ministry and, if they hear nothing within a month, may go ahead with their deals.

Even so, the Organisation for Economic Co-operation and Development *commented in its* latest survey on France that the country's continuing protectionist image has probably curbed investment inflows. The outspoken anti-Japanese remarks of the new prime minister, Edith Cresson, are unlikely to improve the situation.

Nonetheless, France has been offering a battery of incentives for foreign companies to set up businesses since 1982, with a 25 per cent ceiling on grants for investments in land, buildings and equipment during the first three years of operation.

Some of the funds come from

France is receiving less regional development cash from the EC than a few years ago

the government agency, Datar (Délégation à l'Aménagement du Territoire) in the form of "*Prime d'Aménagements du* Territoire".

These PATs, provided with a number of conditions attached, have averaged between FFr800m and FFr1bn a year since they began.

Since 1984, some investment grants have come from local authorities as part of France's decentralisation efforts. These include 25 per cent subsidies on new buildings from municipalities to attract new companies to business parks and industrial zones.

There is also an assortment of tax concessions, low-interest and long-term loans from government agencies or banks, training grants technology research and development grants from the governmental Anvar (Agence Nationale de Valorisation de Recherche).

France is receiving less regional development cash from the European Community than a few years ago because of the shift in focus to the poorer countries of southern Europe. The reform of the EC *so-called structural funds* reduced the area of France covered from about 40 per cent of the population to 30 per cent. This has brought the French slice of the European Regional Development Fund (FEDER) down from FFr2bn in 1988 to an average of FFr1.4 bn a year for the current 1989-1993 programme.

A *few months ago*, the EC Commission in Brussels told France to remove 11 departments from those qualifying for PATs either by July or the end of the year, but DATAR has not gone along with the edict.

Although it accepts that the territory covered by the grants must be cut from about 42 per cent of the population to under 40 per cent, it rejects the menu of 11 issued by the Commission. Furthermore, large scale layoffs by tyre manufacturer Michelin and computer maker Bull mean other parts of the country could become deserving cases.

Meanwhile, there are plans to reduce central government funds in redevelopment programmes for depressed areas from 50 per cent of the total to a maximum of one-third, with the other two-thirds provided equally by the local authorities and the companies creating the unemployment.

About 12 programmes are already in action on a 50-50 *government/company split, but* a new one is being prepared with a three-way bill to absorb layoffs from Bull's plant in Belfort.

Another issue now is Brussels' rejection of the French *government's request to create* a fourth free enterprise zone around Valenciennes in the Pas-de-Calais region.

The area was an important centre of the steel, textile, mining and mechanical industries *and has an unemployment rate* of 17 per cent, about 7 per cent more than the national average, despite 15 years of effort to stimulate the local economy.

The three other enterprise zones around Dunkirk in the

Assorted tax concessions, low-interest loans and training grants are available

north and La Ciotat and La Seyne in the south, which offer companies a *corporate tax holiday* for the first 10 years, were all created in exchange for agreement by the French government to scrap shipbuilding subsidies.

The move drove the Normed *shipyards in the three areas* to bankruptcy and threw 6,800 people out of work. So far, the four-year-old enterprise zones have created 3,520 jobs and Datar expects the total to reach 5,000 out of the promised 6,915 by next year's closing dates in February and July.

Officials admit that Paris has nothing to offer Brussels in exchange *for granting enterprise* zone status to Valenciennes, but they are still unimpressed by the lesser fiscal attractions linked to capital depreciation that are offered instead.

Consequently, the government might face the choice of accepting terms considered inadequate or going ahead anyway and *risking the wrath of* the EC Competition Commissioner, Sir Leon Brittan.

FRANCE

Britain is a substantial market in itself, says **Stewart Dalby**

UK still the most favoured nation

THE FIRST reason the UK is an important European investment location is that it is a substantial market in itself. It *has attracted* more companies from outside the EC than any other western European country in the past decade.

With 56m people in Britain, there is considerable scope for sales of sophisticated consumer *goods, such as* computers and cars. Accordingly, Nissan, Honda and Toyota have all set up car plants in the UK. In the next few years they will be joining Ford and General Motors of the US and Peugeot Talbot of France in making, or at least assembling, cars in the country, rather than importing them.

In computers, when Compaq launched a drive in western Europe, it wanted to start out in the largest market for its personal computers. This was the UK, and Compaq settled in "Silicon Glen" in Scotland. An added incentive was that there were more than 300 electronics companies in Scotland, so they could go in for local sourcing of raw materials and cost-effective *just-in-time delivery* practices of components.

The domestic market apart, however, foreign companies have one eye on the perceived need for non-EC companies to be based within an EC member-state by the start of 1993. There is a belief that once the deregulation through implementation of the directives of the internal market regime start taking effect, countries from eastern Asia and the US could be shut out and discriminated against by a "fortress" western Europe.

Britain seems – for now – to be the preferred location in the EC. Exact figures for the amount of inward investment are difficult to obtain.

One large single investment *can appear to inflate the total* for any given year. For example, Toyota was said to be prepared to invest £700m in its car

In the past decade, the UK has attracted more companies from outside the EC than any *other* western European country

plant in Derbyshire. But not all this money would come into the project in one year.

One report claims that between 1984 and 1987, US companies invested $11bn a year in the EC: a third of this came to Britain. Locate in Scotland, the agency arm of Scottish Enterprise, says that in 1989-90 £850m of foreign capital was committed to investment in *Scotland. It is a fair estimate* that in the buoyant years of the mid-80s, more than £1bn a year was committed to the UK.

The Department of Trade and Industry estimates that in 1989 notionally nearly 60,000 jobs were created by foreign companies in more than 300 investments.

An earlier wave of US investment was drawn to the UK because of similarities of culture and language. Japanese *companies latterly have also* cited the English language as an important consideration. The Japanese have a low level of foreign language literacy. While some Japanese businessmen can make their way in English, speakers of other European languages are rare.

Other reasons given by eastern and European business people are the conditions of employment, and the on-costs. By this they mean that since the reform of trade union law in the mid-80s, it is easier to manage.

Companies can now achieve, *in manufacturing, at least*, three shifts in 24 hours of working, and single union agreements. In other western European countries there are more stringent conditions about the number of hours in a working week, and other conditions of employment. The on-cost of an employee – pensions and other benefits – is also relatively low in the UK *where it averages about 20* per cent a job. In Germany, for example, it could work out at 43 per cent.

Once the UK has been targeted, the actual location has depended on the nature of the operation. *Manufacturing* and high-technology companies have, broadly speaking, tended to gravitate towards assisted areas, such as Scotland, north and south Wales, the north-east, and the north Midlands.

Regional selective assistance can amount to 30 per cent of the capital cost of a new project in a development area and 15 per cent in an intermediate area. With training grants, and help from British Steel *and/or* British Coal if companies are located in old steel or coal areas, and cheap loans from Europe, there is significant assistance available for new companies.

But subsidy is not everything. According to Mr David Brown, the UK Director of Locate in Scotland: "Assistance is of nothing if other conditions are not right."

Most of the assisted regions are in areas where traditional industries, such as mining, steel, textiles and shipbuilding, have been run *down*. These *areas usually have pools of* unemployed skilled labour.

Land is also often relatively cheap – in Scotland, for example, land in some areas can be found for £20,000 an acre, whereas in the south-east of England at the height of the 1980s economic boom, an acre could cost £1m.

BRITAIN

Even so, subsidised areas do not always win the investments. Toyota went to Derbyshire and Honda to Swindon, neither of which, strictly speaking, are assisted areas.

It is because investment decisions are so multifaceted that the specialist agencies are keen to achieve one-stop packages for potential investors. These give information on what help is available, as well as guidance on labour, land and other comparative costs.

The most dynamic specialist agencies, such as Locate in Scotland, which has partly subsumed the old Scottish Development Agency and the Welsh Development Agency, realise the competition is sharpening. The outlook for investment in Britain over the next five years is good, but thereafter the going could get considerably more tough.

Ulster trawls for new employers

Where newcomers are quickly 'hooked'

WHEN Harris Laboratories, a clinical research organisation based in Nebraska in the US, was deciding whether or not to establish its first European *research facility in Belfast*, the company contacted some of its top clients. Harris, which carries out various tests on drugs for pharmaceutical companies around the world, asked if clients would be willing to do business with a Belfast company and if clients would be willing to travel to the city.

"Almost everyone we contacted had no objections" says Dr Chris Hendy, director of Harris in Belfast.

"What was interesting was that those who were in any way negative about Belfast were all in the UK."

The *Industrial Development* Board, the state body responsible for encouraging investment in Northern Ireland, admits that tempting companies to invest in the province has not been easy. Northern Ireland's image, frequently dominated by (often outdated) scenes of bombs and bullets, is a deterrent to some. But the IDB argues that once companies go to Northern Ireland and see what the province has to offer, *then they are "hooked"*.

Harris looked at several European investment locations before deciding on Belfast. Germany seemed unenthusiastic about more inward investment. France showed interest but the *amount of bureaucracy was a* negative factor. The Netherlands would be too costly, ditto the southeast of England.

"Because we use volunteers for most of our work, we need to be in a big population area" says Dr Hendy. "We also need to be in an environment that has a high level of academic, particularly medical, expertise. *Belfast wins on all counts.*"

The IDB helped Harris with various capital costs and training assistance. Dr Hendy describes such assistance as "an added bonus" but says other factors, including the *high educational standards in* Northern Ireland, were more important in making the decision to invest in the company's £1.8m Belfast facility.

With 14 per cent of Northern Ireland's workforce out of a job, the province has the highest unemployment rate in the UK. Since it was set up in 1982, the IDB has searched the world for investors willing to take advantage of Northern Ireland's ready pool of skilled labour.

There have been some notable successes, particularly from 1988 to 1990. Montupet, the French car components manufacturer, is setting up a £90m plant which will eventually employ nearly 1,000 people in Belfast. *Fruit of the Loom*, the US textiles manufacturer, is building a spinning plant near Londonderry. Daewoo of South Korea has opened a £18m video recorder factory in Antrim, creating 500 jobs.

Japanese companies have *recently shown an interest in* Northern Ireland.

"Five years ago there were no Japanese enterprises in the province," says *Mr* Tony Hopkins, the IDB's chief executive. "Now the Japanese are employing about 3,000 people, mainly in the car components sector. *That's* nearly 3 per cent of our manufacturing workforce."

According to the IDB there are now more than 200 overseas companies operating in Northern Ireland, employing

N. IRELAND

more than half the local manufacturing workforce. In the years 1986 - 1991 these overseas companies created more than 15,000 jobs.

There have been considerable problems. *Mention of the* failure of the De Lorean car production plant – now the premises of Montupet – still *makes officials* wince. *However* the fiasco of the US car project was not the fault of Northern Ireland or its workforce but of the project's *sponsors*.

The conflicts in the province have made life very difficult *for the IDB. But the violence is* now considerably less than 15 years ago. The IDB says it no longer needs to offer large financial incentives to overseas companies in order to overcome their prejudice about setting up in the province.

Last year was disappointing for the IDB. Job creations were well below target, mainly, *according to the IDB, because* of ever increasing competition for mobile investment and the effects of the Gulf war and the economic recession.

There have been factory closures. In June, 260 jobs were lost at Mackie's, the US owned engineering company in West Belfast. The IDB has been criticised for failing to dent in any significant way *Northern* Ireland's unemployment figures.

Manufacturing has traditionally been the economic backbone of the province. But with the changes in the pattern of manufacturing world wide, thousands of jobs have been lost in the province over the past 40 years. Harland and *Wolff the world famous Belfast* shipbuilders, had a workforce of more than 20,000 in the 1940s.

It now employs 2,500. Mr Hopkins says the whole approach to foreign investment has changed in recent years. While the IDB hopes to announce significant new investments in the coming months, big job creating projects are ever harder to find. Now the emphasis is on small to medium sized projects, able to integrate with existing enterprises in the province.

While the IDB still has a budget of £100m per year, grants and other financial incentives to overseas companies are no longer so important.

"We have to have incentive packages basically because our competitors – *whether it's* Scotland, Wales or the Republic of Ireland – have them," says Mr Hopkins. "But we don't see them as the main part of our armoury."

Increasingly the emphasis is *put on Northern Ireland's* young, educated population (the province has the highest birth rate of any part of the EC).

"In recent years we have been trying to vastly improve *Northern Ireland's research*, marketing and training so that companies can improve competitiveness and create long term employment opportunities throughout the economy," says Mr Hopkins.

Service jobs have become increasingly important in the province's economy. Companies such as British Telecom and a *number of government* departments have recognised the cost advantages of locating many of their "back office" activities in the province. More than 1,000 such jobs have been created over the last two years.

Mr Hopkins says that despite Northern Ireland's special problems, the province has several advantages, not least its quality of life. "Northern Ireland is uncrowded and has some of the best infrastructure in the UK," says Mr Hopkins. "People come here and are constantly surprised by what they find. It's interesting that so *many of our investors pass the* good word on – they are always very willing to act as ambassadors for Northern Ireland.

Kieran Cooke

FINANCIAL INCENTIVES

All European community countries provide incentives to companies to locate in particular areas, principally *those parts of a country which* are least developed or suffer from high unemployment.

The spatial coverage of *these incentives* varies considerably from country to country, says an investors report called "The Regions of Europe," *by* Ernst and Young, the chartered accountants and consultants.

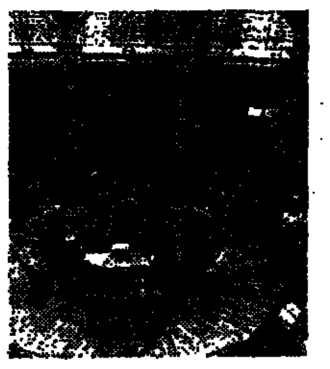
The population coverage (per cent) of main regional incentives are as follows:

UK	38.8
Ireland	100
Belgium	33.1
Denmark	19.7
France	39
Greece	100*
Italy	35.7
Luxembourg	100
Netherlands	19.9
Portugal	100
West Germany	29
Spain	47.7

*Grants are available throughout Greece for certain principally high-tech projects. For other projects, grants are available in 50 per cent of the country. Source: EPRC, Ernst & Young.

Tom Burns on a growing economy with no room for xenophobia

Self-interested hospitality



SPAIN

IN APRIL, the chairman of the large retail bank Banesto said that the sale of Spanish companies to foreigners was "not desirable".

Mr Mario Conde, who also heads Corporacion Banesto, his bank's industrial holding, was speaking at Bilbao's Deusto University, a leading domestic centre for business studies.

Spanish banks, he said, should reinforce their traditional stakes in industry in order to "maintain the (domestic) control of Spanish corporations". This, he stressed, was vital because research and development was almost never undertaken by subsidiary companies and because "re-investment decisions are taken by the parent company".

Foreign investors would have been entirely wrong to take the words of Spain's best known business leader at face value. Within two months, Mr Conde had made three large asset disposals to foreigners.

- He sold Corporacion Banesto's 24 per cent stake in Petromed, Spain third largest oil refiner, to British Petroleum, paving the way for the UK corporation's bid for outright control of the company;
- he sold 24 per cent of his group's insurance affiliate Union y Fenix to France's AGF;
- and he sold a Banesto bank subsidiary in Catalonia which the parent bank had nursed back to financial health to Italy's Istituto Bancario San Paolo di Torino.

If Mr Conde is not matching words with deeds, who is in Spain? Certainly not the heirs of the profitable Spanish steelmaker Aristrain. Last October they rejected a joint venture with the state-owned Ensidesa group that would have buoyed the domestic sector and sold 45 per cent of their company to British Steel for a reported £114m.

Nor do the wealthy members of Seville's landowning oligarchy, who hold shares in Cruzcampo, the top domestic brewery. A month after the British Steel deal, they sold their money-earning company, with its 22 per cent share of the Spanish beer market, to Guinness for £533m.

Foreign owners are expected to manage more efficiently than local bosses

Prime Minister Felipe Gonzalez does not appear especially concerned about the foreign buy up of Spain. When Volkswagen acquired Seat, the state-owned car company, Mr Gonzalez summed up a widely held view: "I would rather have Spanish workers employed by a German company in Spain than having them emigrate to find jobs in Germany as they used to 30 years ago."

Indeed, the foreign investment climate in Spain is remarkable for its utter lack of xenophobia. Instead there is a feeling that foreigners will manage businesses more efficiently than Spaniards.

Mr Conde, whatever he might say about the dangers of foreign acquisitions, is simply following the path of his peers in the banking world. Banco Central, a bank similar to Banesto in its spread of industrial assets, has brought France's Elf Aquitaine into its Cepsa refining company and into the shareholding of the bank itself.

French corporate stock in Banco Central now totals around 10 per cent and it is represented, aside from Elf, by the Bouygues and the UAP groups who have their eyes on Central's construction and insurance businesses respectively.

Banco Santander, the most aggressive of the Spanish banks and one of the more profitable in the domestic sector, has let France's Crédit Lyonnais into its backyard by selling it two subsidiary branch networks within the last 12 months. Spanish banks are not only selling their traditional industrial interests to foreigners; they are selling them their subsidiaries as well.

Banks are selling their own subsidiary chains as well as their industrial holdings

All told, direct foreign investment in Spanish companies totalled Ecu 3.5bn in 1990, up from Ecu 2.6bn in the previous year. Some purchases, such as those by BP, British Steel and Elf, form part of a wider European pattern.

And the thrust is far from over, judging by the recent acquisition by Guinness of a second Spanish beer producer, Union Cervecera, (which pushes its hold on the domestic market up to nearly 30 per cent) and the ambitions of France's BSN group, one of the main players in the largely foreign-controlled Spanish food sector, to increase its existing stakes in Danone, the leading dairy producer and in Mahou, a major beer company.

Mr Conde, strayed even further from his words at Deusto University when he told the annual shareholders meeting of the Corporacion Banesto that the group should disinvest from companies it did not control.

The floodgates can be expected to open even wider.

In Barcelona's Placa Reial: open to the world

REGIONAL ALTERNATIVES

Only a minority goes south

ITALY

TEXAS Instruments appears to have confirmed its confidence in Italy as a suitable location for new investment with last year's opening of a plant making 4-megabyte memory chips at Avezzano, in the Abruzzo region, about 60 miles east of Rome. The Avezzano facility, a L1,500bn ($1.1bn) project that employs 400 workers, is the US corporation's third in Italy.

Texas Instruments is one of numerous foreign corporations that have chosen Italy's Mezzogiorno as a location for new investment. However, foreign companies have preferred Frosinone and Latina provinces between Rome and Naples, and the Pomezia industrial area immediately south of the capital and just over the original qualifying line for incentives. The electronics, pharmaceuticals and chemicals sectors have been in the vanguard. Abbott, Colgate-Palmolive, IBM, Litton, Marconi, Procter & Gamble, Squibb and Wellcome have factories less than 50 miles south of Rome.

In attempts to attract industry and create employment in the Mezzogiorno, Italian governments since the early 1950s have legislated a broad range of incentives. Capital grants, low interest loans, tax holidays and labour cost incentives are the sweeteners encouraging business to set up in the south.

For investment in property, plant and equipment not exceeding L7bn, cash grants cover 40 per cent. This falls to 30 per cent on the L7bn to L30bn investment band and 15 per cent on amounts exceeding L30bn. Grants are increased by 20 per cent where investment is being made in particularly depressed areas or in priority sectors.

Costs eligible for cash grants also attract low interest rate loans, with 30 per cent of investment eligible where the amount is less than L7bn, and 40 per cent eligible above this. The interest rate is 36 per cent of the official bank rate for loans less than L30bn and 60 per cent of the official bank rate for loans exceeding this limit. Loans for new plants are repayable over 15 years, while expansion and modernisation investment loans must be repaid in 10 years.

Poor infrastructure and a user-unfriendly bureaucracy are the biggest handicaps throughout the country

Tax breaks for companies set up in the south include a 10-year exemption from the IRPEG corporation tax and ILOR local income tax. Moreover, a company operating anywhere in Italy can obtain exemption from ILOR on profits that are invested in the south.

Clearly, boosting employment is the paramount aim of the drive. Direct assistance on the payroll is also available, with labour cost reductions through rebates and exemptions on social security charges.

Several factors militate against Italy's Mezzogiorno. In addition to remoteness from markets, businesses could suffer from cultural gaps, organised crime, low productivity, and poor services.

Frequent killings and kidnappings suggest the authorities are unable to deal with the mafia in its various regional costumes. Italian and foreign companies are reluctant to risk extortion during plant construction and operations.

Another drawback is poor productivity. Added value per employee in the south fell during the 80s by almost 10 per cent compared with Italy's centre/north, leading to a net loss of competitiveness in terms of cost of labour per unit output. Fixed investment in southern industry is proportionately higher than in the rest of Italy, but results are disappointing.

Yet national labour contracts fail to reflect a combination of poorer productivity and a lower cost of living in the south.

The factor that probably tells most against foreign investment in Italy overall, not just in the south, is the poor infrastructure. Pitting wits against a user-unfriendly bureaucracy or struggling with an expensive and inefficient telecommunications monopoly are tasks on which no business willingly spends its energies.

David Lane

Big projects find big money, writes Patrick Blum

Atlantic backdoor entry

PORTUGAL

MOST recent or forthcoming large scale projects in Portugal involve an appreciable volume of foreign investment. The figures speak for themselves:

- nearly $900m to build and run a natural gas network;
- $2.1bn to finish and manage a major coal power plant;
- $100m-$250m to operate the country's first mobile telephones network
- $100m for a new bridge over the Tagus river.

For these and for a multitude of manufacturing ventures of all sizes, ranging from car audio equipment and electronic components to the $2.6bn car plant being established jointly by Ford and Volkswagen, foreign investment is playing an important role alone or with Portuguese partners.

The government's privatisation programme also has attracted considerable interest from banks, insurance companies and major international groups eager to win market positions in one of Europe's small but fastest growing economies.

But while big investments tend to attract most attention, they represent only a small number of the 3,500 foreign projects given the go-ahead last year. Nearly all overseas investments have been in small and medium size enterprises. In addition to manufacturing, they have been in tourism, agriculture and real estate – not the authorities' most desired destination for capital inflows.

According to the central bank, between 1988 and 1990, direct foreign investment amounted to $4bn, in addition to $2.5bn in portfolio and real estate investment.

Investors are attracted to Portugal by several factors, including an expanding economy, political stability and good labour relations. The government offers generous and internationally competitive incentives, especially for a project involving high technology and the creation of new industries or the modernisation of traditional ones.

Portugal remains under-developed by western European standards, but during the past five years its economy has grown at an average of 4.5 per cent a year and investment (domestic and foreign) by an average of 10.7 per cent. The economy is expected to continue to grow quickly and foreign investors see opportunities in the challenge of modernisation.

A key factor has been Portugal's European Community membership. Since it joined in 1986, Portugal has received a lot of EC financial and technical aid. Last year alone, it received Esc 214bn ($1.3bn) from various EC funds, representing 2.5 per cent of its GDP and 6 per cent of total investments. Most has gone into infrastructure and telecommunications, two key areas much in need of improvements.

Many non-EC investors have perceived the additional incentive of free access to the Community's markets as barriers fall with the approaching single internal market. This has been an important aspect of north American, far eastern and Latin American – especially Brazilian – investments in Portugal.

The traditional attraction of Portugal as a low wage economy – labour costs are still considerably lower than in any other European country – is still relevant,but there are other factors. Industrial relations in the private sector are almost trouble free; foreign managers say the workforce is adaptable and, with adequate training, is as productive and efficient as any in Europe.

For big projects, the Portuguese government has provided 30- 50 per cent of the value of the investment in industrial and training grants, plus tax concessions. The level of incentives has been a decisive factor for companies, but it is matched by the long term competitive advantage of locating in Portugal despite some initial drawbacks.

These include patchy, but improving, communications. There are still too few local manufacturers able to supply parts and equipment to satisfactory standards. The government has promised to help meet the challenge.

Bureaucracy can be a headache, and the accommodation for offices and housing is scarce and increasingly expensive. These two factors can deter potential investors, but for a growing number they are outweighed by the pleasant environment.

FINANCIAL TIMES
COMPANIES & MARKETS

Thursday July 4 1991

INSIDE

Metallgesellschaft on a spending spree

Metallgesellschaft's appetite for acquisitions has grown rapidly this year. The German engineering group is paying DM1.45bn ($810m) for the non-paper activities of Feldmühle Nobel being sold by Stora of Sweden. Paying for the new businesses will be no problem. Metallgesellschaft has liquidity of around DM2bn and is raising DM430m from a generously-priced rights issue. Mr Heinz Schimmelbusch (above) chief executive, says the company is buying "a well-managed, profitable group of assets". Page 14

Karachi shares weather storms

Pakistan's worsening internal problems have failed to dampen the country's leading stock exchange at Karachi. The exchange closed at an all-time peak yesterday, its second record this week. The recent gains in equities have been linked to policies of privatisation and lessening of regulatory controls. Page 31

Ground snatched away from Australian mining campaign

Pancontinental Mining yesterday announced the sale of its Jabiluka uranium and gold deposit in Australia's Northern Territory to North Broken Hill Peko (North) for A$125m ($96m). The sale ends an eight-year campaign to persuade the federal Labor government to relax uranium mining restrictions and allow development of the deposit. Jabiluka has estimated reserves of more than 200,000 tonnes of uranium oxide with the potential to become one of the world's largest producers of low-cost uranium. Page 21

Plugging in to profits

Profits at Britain's electricity companies continue to beat prospectus forecasts made when they were privatised last autumn. Seeboard, based in the south-east of the country, had pre-tax profits in the year to end-March of £81.4m, 34 per cent ahead of the forecast. Midlands Electricity, serving the west, was 19.4 per cent up at £109.7m. Clare Pearson reports. Page 18

Japanese market faces closure

The market for Japanese equity warrant bonds is again under threat of closure, after a 600 point fall in Japanese stock prices on Wednesday. Rumours in Tokyo suggest the Ministry of Finance is considering imposing a moratorium on new equity warrant bonds, as the already fragile equity-linked sector may not be able to absorb the $3.5bn of new equity warrant bonds scheduled for this month. Tracy Corrigan reports. Page 17

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
AG Ind & Verk	838	+	13
Altana Ind	607	+	5.5
Beiersdorf	750	+	10
Mannheim Vers	670	+	21
Viag	378.5	+	14
Falls			
Wella Prf	656	−	12

NEW YORK ($)			
Rises			
Am Airlines	64⅛	+	2¼
Apple	43⅜	+	1⅛
Intel	43¼	+	⅜
Falls			
Bk of America	33⅝	−	1⅞
Microsoft	63¼	−	4⅞
Security Pac	21⅜	−	1

New York prices as at 12.30

PARIS (FFr)			
Falls			
Axa	869	−	29
Bancaire Cie	467.2	−	19.3
Beghin-Say Ct	490	−	25
Fonc Lyonnaise	737	−	30
Matra	200.1	−	12
UFB Locabail	229	−	11

TOKYO (Yen)			
Rises			
Yakan Kogyo	921	+	81
Falls			
Akai Electric	1150	−	110
Kyosan Cable	600	−	91
Nohon Kohyaku	1360	−	120
Yamada	1030	−	90
Yomiuri Land	1480	−	190

LONDON (Pence)			
Rises			
De La Rue	404	+	13
Goodhead	38	+	3
ICI	1277½	+	26½
Jupiter Tarbt	153	+	12
Monarch Res	83	+	10
Securguard	89	+	7
Tace	258	+	30
Falls			
Bett Bros	115	−	10
Br Aerospace	563	−	13
Chad Armstrg	59	−	10
Crest Nichlsn	55	−	7
Douglas (RM)	370	−	26
GEC	185½	−	5½
ISA Intl	73	−	15
Lilleshall	100	−	7
More O'Ferrall	260	−	14
Nat Home Loans	88	−	23
Simon Eng.	308	−	22
Specialeyes	18	−	6
Thorn EMI	725	−	23
Vickers	184	−	12

Crédit Lyonnais replaces Dutch banker

By George Graham in Paris

CREDIT Lyonnais, the French state-owned bank, is to replace the man who approved the $1.19bn loans to Mr Giancarlo Parretti, the Italian financier.

Mr Jean-Jacques Brutschi will leave his post as chairman of Crédit Lyonnais Bank Nederland (CLBN), the 94 per cent owned subsidiary which has the bulk of the French bank's loan exposure to Mr Parretti and his MGM-Pathé film empire.

Crédit Lyonnais has consistently refused to admit to the extent of this exposure, and CLBN, which retains a listing on the Amsterdam stock exchange, was upbraided by the Dutch market authorities for giving incorrect information on its loans to Mr Parretti.

CLBN admitted yesterday that it had $888m of loans outstanding on July 1 to companies controlled by Mr Parretti.

These include $98m to Pathé Communications Co, through which Mr Parretti organised the $1.3bn takeover of MGM last year, $298m to MGM-Pathé, its film studio subsidiary, and $375m to Melia Int, a holding company which owns 89 per cent of Pathé Communications. It also includes $54m lent to Comfinance, another holding company which owns 51 per cent of Melia.

The Dutch bank said, however, it had not included $299m of factoring agreements with distributors of MGM films, nor its loans to Sasea, a holding company associated with Mr Parretti in Melia. It said that, to the best of its knowledge, Mr Parretti was not a shareholder in Sasea.

In addition, the figures exclude financing provided by Crédit Lyonnais for the purchase of the Dutch and British cinemas sold by Pathé in 1989 and 1990.

A Crédit Lyonnais spokesman said CLBN covered the group's entire exposure to Mr Parretti.

"We are at last getting closer to the truth," said Mr François d'Aubert, a French member of parliament who has been investigating Crédit Lyonnais's involvement with Mr Parretti for the past two and a half years.

Even without other engagements, however, the total involvement of $888m in loans and $299m in factoring agreements is only a whisker away from the figure of $1.3bn announced by the press and described by Mr Jean-Yves Haberer, chairman of the Crédit Lyonnais group, as "fantasy".

Mr Haberer, who has consistently refused to answer questions about his subsidiary's cinema entanglement, has been summoned to a hearing by the finance commission of the French national assembly, probably next week.

CLBN said its loans to MGM-Pathé were secured by the studio's film libraries, although many of the rights have been sold. The loans to Pathé Communications were largely secured by the shares of MGM-Pathé, which it said had a net asset value of $859m at the end of 1990, according to an audit by KPMG.

Loans to other companies were principally secured by a pledge of 73 per cent of Pathé Communications shares, which had been valued by KPMG at $518m at the end of 1990, CLBN said.

The ins and outs of the investment world

Glitter at the Extel Financial poll of investment managers barely conceals near crisis, writes **Richard Waters**

THE highly-paid prima donnas of the UK investment world stepped into the limelight yesterday to have their backs patted and their egos primped.

The occasion: a lunch at the Guildhall in London for the results of the annual Extel Financial poll of investment managers, the City of London's version of the Oscars. On display was official confirmation of City gossip about who's in and who's out among broking firms.

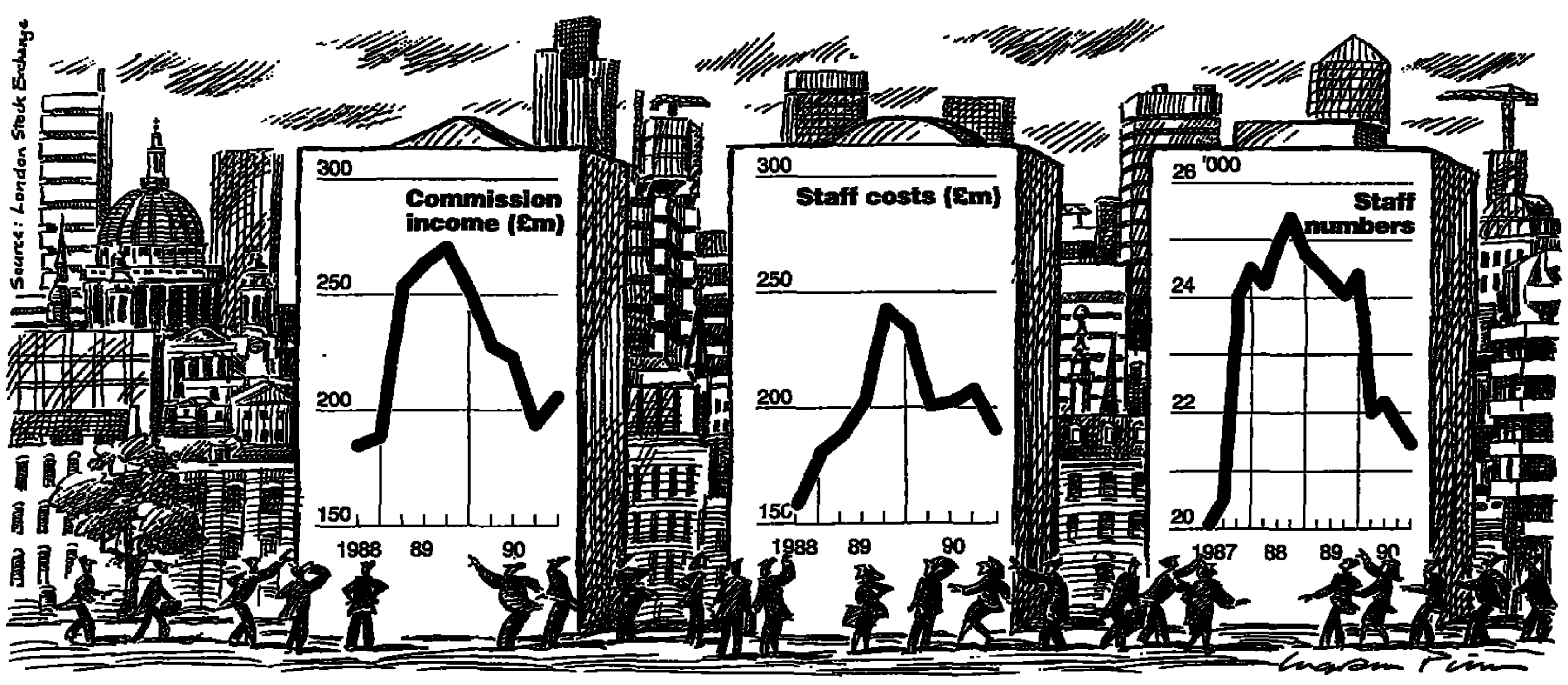
Yet behind the glitter, all is not well in the world of the investment analysts. Commissions earned by London securities companies fell to £848m ($1.374bn) last year, from £1,037m the year before. In spite of a strong start to 1991, this year offers little hope of a recovery.

Top of the list of those who are "in" this year is Warburg Securities, which has climbed steadily in the esteem of the investment managers, according to the Extel survey. Compared with the 5.5 per cent share of the votes it received five years ago, Warburg now has 13.2 per cent. rest.

Also doing well were two securities firms whose future in the business has been the subject of much speculation in recent years: Kleinwort Benson, which confirmed a strong showing last year to move up to third place; and County NatWest. UBS Phillips & Drew also confirmed its growing reputation.

"Out" this year are two of the top names in investment research: James Capel and Barclays de Zoete Wedd. Capel still managed second place in the league (just), but after 11 years at the top and a series of senior defections, the survey brought bitter confirmation that it is well behind the new market leaders. BZW fell from third position to sixth.

Do the results matter? To individual analysts, certainly. Appearing in one of the top



The fortunes of investment analysts have plummeted through skyscraping salaries to a fall in commissions

rankings, such as those produced by Extel and Institutional Investor, is a guarantee of employment and a strong help in pay negotiations. For individual securities houses, the findings are confirmation of their standing in their clients' eyes, and the best indication available of where those clients will direct their business in future.

Meanwhile, the whole broking industry remains in a state of near crisis. For most firms, income is still too low and costs too high – as proven by the £353m combined losses of London securities firms last year.

The cost explosion that followed Big Bang in 1986 – and the salary spiral that saw analysts paid ever-larger amounts of money – appears at last to have come under control.

During 1989, the number of investment analysts in the City of London fell marginally to 1,900. Last year it fell to 1,600, Extel estimates.

That has put downward pressure on analysts' salaries. Most firms report that salaries have been stable for at least the last six months, although rumours still abound of individual houses prepared to pay over the odds to hire top-rated analysts.

A second development has been a move by brokers to restrict the availability of their research.

Many used to distribute their analysis widely, assuming it would bring them new commission income. Now, though, there is a growing feeling that research reports should be restricted to paying clients.

James Capel, which traditionally made its research available through various electronic media, says it has cut back its distribution.

Warburg Securities, which has only made its research available electronically through First Call, a service run by a consortium of leading firms, says it has decided not to expand the availability through other channels.

The analysts deny vehemently that they have agreed among themselves to restrict access to their research. "How the hell do you organise a cartel in a buyers' market," says Mr Terry Smith, head of research at UBS Phillips & Drew.

A third development has been the attempt by some brokers to differentiate their products – the type of research they produce, and the way they present it. Some thematic reports, such as UBS's study this year of doubtful accounting practices, which was voted the top piece of research by fund managers, prove that there is room for original ideas. But these moves seem too little, too late. The investment managers still complain about the quality of research they receive, and about the bombardment of "maintenance research" from brokers.

Too few analysts are critical of companies they follow. Mr Norman Lamont, chancellor, presented yesterday's awards saying: "It certainly takes courage to contradict the people on whom you rely for information." He pointed out that the forecasts of sector analysts were generally more optimistic than those produced by the economists employed by brokers.

However, according to Extel, 60 per cent of investment managers read less than a quarter of the research they receive, compared with 40 per cent last year.

More importantly, 37 per cent of investment managers use the research of five firms or fewer, up from 4 per cent last year. That concentration could spell doom for some brokers.

Observer, Page 10; Lex, Page 12

Krupp Stahl DM5 payout marks move into the black

By Quentin Peel in Essen

KRUPP STAHL, the steelmaking subsidiary at the heart of Germany's Fried Krupp group, yesterday declared its first dividend for 16 years, to mark a return to profitability.

The DM5 dividend per share for 1990 was announced by Dr Gerhard Cromme, chairman of the parent company, in confirming after-tax profits of DM217m ($122m), compared with a loss of DM452m in 1989.

Comparable figures for Fried Krupp GmbH, the principal operating subsidiary, were DM109m after-tax profits in 1990, compared with a loss of DM352m.

The steel division, the group's historic base, accounted for 29 per cent of group sales. However, it is involved in engineering and construction projects worldwide.

Dr Cromme, who was brought in as chairman of Krupp Stahl in 1988, and became group chairman a year later, said the 1990 results "visibly document the successes of the vigorous restructuring and re-orientation of the group.

"The necessary course corrections have largely been completed. The Krupp ship has crossed the stormy sea and once again has wind in its sails," he said at a presentation of the annual report.

He said the results reflected profits in every sector except plant construction, but warned although the positive trend was evident in the first six months of the current year, group recovery was likely to be affected by the downturn in the world economy.

Krupp has not succeeded in ridding its balance sheet of all losses held over from the restructuring. Thus Fried Krupp's net income of DM109m allows for a loss brought forward of DM244m, but an accumulated loss of a further DM135m has been carried forward to 1991.

The group reduced borrowings by DM653m in 1990, bringing the improvement since 1987 to DM1.4bn, or a third of its outstanding debt, according to Dr Gerhard Jooss, of the Krupp restructuring team.

Dr Cromme admitted the rationalisation had been "hard for many of the group's employees to bear," and warned further cost cutting would have to be carried out in the Krupp Widia subsidiary, involved in tool engineering, because of falling demand in Germany and abroad.

He said the group had benefited little from the boom in sales to the former East German provinces, because that was concentrated on consumer goods.

Union Texas selling N.Sea assets

By Deborah Hargreaves in London

THE NORTH Sea oil assets of Union Texas, the independent US oil company, are expected to come to market later this year in a sale that could net more than $1.5bn.

This follows last year's abortive attempt to sell the company when bidders would not offer a high enough price for the package of diverse assets.

Union Texas may have been encouraged by the sale of Occidental's North Sea interests to France's Elf Aquitaine and the UK's Enterprise Oil for $1.35bn earlier this week. Union Texas' assets are similar to those of Occidental.

The package includes a 20 per cent stake in the Piper B development and a 20 per cent interest in large fields such as the Scapa and Claymore areas.

The company is believed to favour a bid for all its assets including a 37 per cent stake in a big Indonesian gas project and some acreage in Pakistan. It has sold its US gas operations which deterred bidders last time.

Enterprise Oil in conjunction with Austria's OMV were close to acquiring the assets last year, but in the end failed to reach the $2bn wanted by Union Texas' two leading shareholders, Allied-Signal and Kohlberg Kravis Roberts.

Enterprise would be a likely bidder when the assets come to market again as would Lasmo, another leading UK independent company. British Gas and France's Elf Aquitaine are also interested in further exploration acreage.

Analysts speculate that the UK independents could be constrained from raising cash for a bid by the low valuation on their shares in the stock market. Lasmo's shares slipped 5p yesterday to 332p on rumours it might buy the package.

"If Lasmo were to bid for the assets, it would probably involve a two-for-one rights issue which would be extremely difficult in today's market," one analyst said.

Given the cash constraints on the independent companies, bids could be made in a consortium such as the OMV-Enterprise link-up last year. OMV said recently it continued to be interested in buying quality assets in the North Sea.

Enterprise also remains interested in portfolio management which could see it breaking up the package, retaining the prime Indonesian assets, and selling much of the North Sea interests, if it wins the deal.

Surprise move to defuse crisis over Federconsorzi

By Haig Simonian in Milan

THE ITALIAN government yesterday side-stepped critics of its rescue plan for Federconsorzi, the troubled farm services group, by initiating an unexpected legal procedure to defuse the crisis.

After failing this week to receive the unanimous agreement from creditors necessary to pursue a voluntary liquidation, as originally sought by Mr Giovanni Goria, the Farm Minister, the authorities have turned to the courts. They will invoke a juridicial composition among creditors with partial settlement, a procedure bearing some similarities to Chapter 11 in the US which provides protection against creditors.

However, rather than triggering the forced liquidation, which was widely seen as the only alternative, the three commissioners appointed to run Federconsorzi will seek court approval for a different procedure, opening the way to a gradual liquidation. The step only requires approval from creditors holding two-thirds of Federconsorzi's debts. Given the fact that the 28-bank executive committee of the Italian Bankers' Association, which comprises Federconsorzi's major creditors, has already voiced approval for the original Goria plan and is hardly likely to block the latest scheme, the move will effectively isolate both foreign banks and other domestic creditors opposed to the original voluntary liquidation plan.

Under the procedure, the courts will have to value Federconsorzi's assets. If they are satisfied that assets exist to repay at least 40 per cent of its borrowings, they will authorise a repayment. Should the value of assets be above the 40 per cent floor, repayment will be made at the corresponding higher levels.

Foreign bankers reacted cautiously to the news. According to Mr Gian Marco Petrelli of Barclays in Milan: "We seek a full repayment of principal and interest. We want our money back."

Although some foreign bankers may be hoping that the latest step will defuse the crisis, and perhaps open the door to a separate settlement, in which their loans to Federconsorzi may be bought by a group of domestic banks, such a solution seems unlikely.

Rather, the authorities appear to have succeeded in triggering a procedure which will at least guarantee equal treatment for all creditors. Given the fact that the process of valuation and court work is likely to take some months, they may be hoping that the worst of the crisis will blow over in the meantime.

● Snamprogetti, the engineering contractor and technology concern owned by Italy's giant ENI energy and chemicals group, has won a major contract to build a second production line for MTBE at the Al Jubail petrochemicals complex in Saudi Arabia.

The overall investment in the new project, which is being made by the Saudi European Petrochemical Compnay Ibn Zahr, will be worth around $250m, according to ENI.

The deal will raise annual MTBE capacity at the Al Jubail plant to 1.2m tonnes from 500,000 tonnes at present. MTBE is a key element in producing lead-free petrol.

The latest Saudi Arabian order comes hard on the heels of a $850m order earlier this week for the construction of a power station and desalination plant in Dubai to a consortium headed by Siemens of Germany and Belelli, the Italian plant-building group.

Granada cuts debt to £340m

By Jane Fuller in London

GRANADA, the UK television, leisure and business services group, cut its debt to £340m ($557.6m) from £684m after a £163m rights issue and the £147m sale of bingo clubs to Bass, the brewer.

The reduction of gearing to just under 50 per cent was announced yesterday with interim results showing a pre-tax profit fall from £63.3m to £38.5m for the 28 weeks to April 13. The interim dividend was cut by 43 per cent, as predicted at the May launch of the one-for-three issue.

After the results meeting, Mr David Plowright, chairman of Granada Television, stepped up the attack on North West Television, the rival regional franchise bidder that includes Mersey Television and Yorkshire Television.

The tenor of Mr Plowright's comments was that even if North West had put in a higher bid – media analysts believe that it has – it would fail to satisfy quality criteria.

He described North West as "do-it-yourself television" and "heavily biased towards access television, the sort of socialist broadcasting approach that was fashionable in the 1960s".

Mr Phil Redmond, chairman of Mersey Television, said North West's do-it-yourself television slot would only be half an hour a day at lunchtime. To produce quality programmes, it would be in the same boat as Granada, with £180m of advertising turnover to pay for it.

Granada's figures included an interim dividend of 2.5p, against 4.4p, in line with its forecast of a yearly total of 7p, down from 12.3p. Earnings per share, diluted for preference shares and options but not for the rights issue which falls in the second half, fell to 7.4p from 11.6p.

Details were presented by Mr Graham Wallace, finance director, and Mr Alex Bernstein, chairman, The departure on Monday of Mr Derek Lewis as chief executive was associated with the rights issue, which at 140p was at a large discount to the preceding 210.5p market price.

The group's turnover was flat at £736.6m against £737.9m. Operating profit fell from £84.4m to £73m and interest payments shot up to £34.5m from £21.1m.

Profit from television and video rental was flat at £44.1m, as was leisure at £15.3m, with £9.2m from bingo clubs.

Lex, Page 12

Computer chip-makers to pool development

By William Dawkins in Paris and Michael Skapinker in London

SGS-Thomson (ST), the Franco-Italian semiconductor group, and GEC Plessey Semiconductors (GPS), its UK competitor, have agreed to pool development in one of the fastest growing areas of the integrated circuit industry.

They are to co-operate in the development of advanced semi-custom chips, which are used by the telecommunications and computer industries to design circuits for their own products.

The pair, European market leaders in semi-custom chips, will also build up a cell library – a collection of standardised building blocks used to create circuits – for use by electronics designers.

Mr Doug Dunn, managing director of GPS, expected the deal to halve the amount of time the two partners would have spent to bring new semi-custom chips to the market separately. Their first new joint products are due to emerge in six months.

World demand for the products covered by the agreement is growing at 20 per cent annually, he said. The world market for cell-based products alone is estimated to grow from $2.4bn this year to $5bn by 1995, he said.

The two companies will carry out development on their own sites, but share costs and work to the same standards and designs of advanced semi-custom chips.

They will keep their manufacturing and marketing operations strictly separate and will continue to compete against each other.

This is not the prelude to more far-reaching collaboration, said Lord Weinstock, managing director of GEC, which has owned GPS since the joint acquisition of Plessey by Siemens and GEC and 1989.

Both companies already work together on computer-aided design in Esprit, a European Community-funded information technology project, but wanted to narrow their collaboration to a more specific field, said GPS officials.

Metallgesellschaft takes a bite big enough to satisfy its appetite

Andrew Fisher reports on the latest purchase by the German group

THE appetite of Metallgesellschaft for acquisitions has grown rapidly this year. Not long after shelling out nearly DM230m ($129.2m) for the German activities of Britain's ailing Davy engineering group, it is now paying nearly seven times as much for the non-paper activities of Feldmühle Nobel being sold by Stora of Sweden.

The DM1.45bn purchase – Stora had hoped for more, but was eager to sell – is by far the largest ever by the Frankfurt-based company, whose activities span metals, mining, chemical, engineering and recycling. Paying for the new businesses will be no problem. Metallgesellschaft has liquidity of around DM2bn and is raising DM430m from a rights issue.

The question is whether Metallgesellschaft's management can stand the strain of an addition of some DM4.5bn of turnover to a group which last year had sales of DM20bn. The businesses being purchased are: Buderus, a maker of building materials, heating and kitchen equipment and stainless steel goods; Dynamit Nobel, which makes explosives and plastics; and Stora's industrial ceramics and engineering plastics division.

Metallgesellschaft is confident that the problems of absorption should not be too great. Mr Heinz Schimmelbusch, its energetic 47-year old chief executive, says the company is buying "a well-managed, profitable group of assets". Also, Metallgesellschaft was the buyer preferred by the management and the workforce of the Feldmühle companies as providing the best industrial fit.

Mr Schimmelbusch reckons that Feldmühle was an opportunity which had to be grasped vigorously. Stora wanted the deal to finance its original DM4bn purchase of the whole of Feldmühle Nobel, including the forestry interests which were what the Swedish company really wanted.

"This (purchase) will increase our industrial depth considerably," he adds. "There are very, very profound synergies." For example, Buderus's expertise in waste incineration and water technology complements the activities of such Metallgesellschaft subsidiaries as Lurgi, its industrial plant builder, and Lentjes, its energy and environmental technology unit.

Heinz Schimmelbusch: buying well-managed, profitable group of assets

Buderus also makes small industrial boilers, extending the range of Lentjes at the large end. Dynamit Nobel's explosives business is of obvious interest for a company involved in mining, while its other chemical activities will strengthen Metallgesellschaft's own chemicals side. The ceramics and engineering plastics division will fit in well with Kolbenschmidt, the motor components subsidiary.

Also, by increasing Metallgesellschaft's domestically-based industrial earnings – analysts reckon the deal could lift earnings per share next year by up to DM2 – the deal will lessen its exposure to fluctuations in metal prices and the dollar. Net profits rose by 28 per cent to DM262m in the financial year to September 30 1990, but the first half of 1990-91 brought a drop of 28 per cent through problems on the mining side and recession abroad.

Thus Mr Werner Friedmann, an analyst with BHF Trust in Frankfurt, expects earnings to drop from DM25 a share in 1989-90 to DM21 this year and then rise to DM26 in 1991-92 as a result of greater world economic buoyancy and the Feldmühle deal.

He and others believe Metallgesellschaft has made a wise purchase. "There are enough areas where it makes tremendous sense and gives the group increasing critical mass," comments Ms Katrin Kandell, a London analyst with Sal. Oppenheim, the German bank. "This will be very important with the more open European market after 1992."

Metallgesellschaft also sees benefits in east Germany. Buderus's water treatment activities should make a big contribution to the industrial rehabilitation and clean-up project in the polluted Mansfeld metal industry region. Metallgesellschaft is the prime mover in this ambitious scheme, in which it is drawing in other German and foreign partners to work with local and national authorities.

After Feldmühle, however, Mr Schimmelbusch says, the group really does intend to go easy on acquisitions. This year, as well as the purchase of the Davy chemical fibre plant and water treatment companies in Germany, it has also acquired the mini-steel mill technology activities of the late Mr Willy Korf, the German entrepreneur.

Metallgesellschaft now wants to take the time to make its purchases work. "Now, there will definitely be a heavy emphasis on internal profit improvement rather than external moves," comments Mr Schimmelbusch. But analysts do not rule out further deals if the right companies come up, noting that Lurgi, for instance, has not given up its aim of expanding in the US.

INTERNATIONAL COMPANY NEWS IN BRIEF

La Générale unit in Czech cement deal

THE cement-making subsidiary of Société Générale de Belgique, the holding company, has agreed in principle with the Czech authorities to buy a majority stake in Cementarny a Vapenky Mokra, a Czech cement group based in Southern Moravia, agencies report.

SA Cimenteries, the subsidiary, said it has agreed to acquire an initial 33 per cent stake which will rise to 51 per cent by 1994. The company will also have the option to raise its shareholding to 71 per cent by 1997. Terms of the deal were not disclosed.

The stake will be acquired from the Czech Fund of National Property and capital injections to help fund expansion and plant improvements.

Du Valois sells Carlostat

COMPAGNIE Financière du Valois, the French industrial holding company, has sold Carlostat Industries, a sub-contractor to the aerospace, nuclear and instrumentation industries, to Senior Engineering, the British engineer, writes William Dawkins in Paris.

The French group did not disclose the purchase price for Carlostat, which has the equivalent of a £50m ($82m) a year turnover, 40 per cent of which is exported. But du Valois said it decided to sell because the unit did not offer "sufficient synergy" with its other activities which are mainly supplying the mechanical engineering and car industries.

Du Valois groups 50 industrial companies in four main sectors, aluminium refining, smelting of aluminium and light alloys, casting and screws and bolts. It has a FFr6bn ($990m) turnover and employs 10,000 people.

German retailer lifts first-half sales 20%

Douglas Holding, the specialist German retailer, announced that sales during the first half of this year rose 20 per cent to DM1.3bn ($730m) compared with the same period last year, Reuter reports.

Shareholders at the annual meeting were told that group sales for 1991 were expected to top DM3bn, up from DM2.6bn in 1990. No profit figures for the first half were provided.

The group plans to raise the share of its foreign sales in its total turnover to up to 20 per cent in the long-term from current 9 per cent.

Asko Deutsche Kaufhof bonus

ASKO Deutsche Kaufhaus, the German retailing group, is to pay a bonus of DM2 a share on its 1990 annual dividend, AP-DJ reports.

Although it technically left its 1990 dividend unchanged from 1989, the bonus effectively brings the company's annual payout to DM17 for common shares, up from DM15 in 1989, and DM19 for preferred shares, up from DM17 in the previous year, a company spokesman said.

Novo Nordisk buys Solvay business

NOVO Nordisk, the pharmaceuticals and enzymes manufacturer, has bought the biopesticide business of Belgium's Solvay, writes Hilary Barnes in Copenhagen.

Solvay's biopesticide business had an estimated turnover last year of just over DKr30m ($4.34m). Novo Nordisk entered the brand pesticide business four years ago and the company regards this as a growth market and intends expand in the area.

SCA sells Austrian tissue operations

SVENSKA Cellulosa Aktiebolaget (SCA), Sweden's second largest paper and pulp company announced that final agreement had been reached through its Austrian subsidiary Laakirchen for the sale of its tissue operations to the German company Papierwerke Wladhof-Aschaffenburg (PWA), Robert Taylor writes in Stockholm.

This follows approval for the sale from the German Federal Cartel Office. SCA said that as a result of the divestment SKr1.5bn ($226m) will be freed over a two-year period. This includes proceeds from the sale and investment in a new tissue machine that is now transferred to PWA as part of the deal.

The SCA sale of Laakirchen's paper tissue activities is the latest move in the Swedish company's divestment strategy. In 1990 alone SCA sold assets valued at SKr1.3bn while this year the figure is more than SKr3bn.

Chips are down in technology race

The Apple/IBM link is a threat to Microsoft, writes Louise Kehoe

INTERNATIONAL Business Machines' technology alliance with Apple Computer brings together two of the most powerful companies in the computer industry, in a pact that has the potential to change radically the competitive positions of a wide range of computer, software and semiconductor companies.

The alliance represents a major coup for Apple, which has been struggling to maintain its leadership in personal computers software. The competitive advantage of Apple's Macintosh graphical user interface – which makes the computers easier to use – has been seriously challenged by Microsoft's "Windows" program, that provides similar features on IBM-compatible personal computers.

Apple has been working on a next-generation operating system, code-named "Pink", but according to industry reports the development project has proven more complex and expensive than Apple had expected.

The new software joint venture company to be formed by IBM and Apple is expected to use Apple's "Pink" as a base for the new operating system that it plans to develop.

For IBM, the alliance represents an opportunity to access Apple's innovative software skills, while reducing its dependence upon Microsoft, the leading personal computer software developer.

Although IBM and Microsoft have a long-standing agreement to collaborate in the development of future personal computer operating systems, relations between the two companies have cooled recently.

IBM has emphasised OS/2 as the personal computer operating system of the future and is currently developing a new version. Microsoft's priority, however, is "Windows", combined with its widely-used MS-DOS operating system.

IBM and Apple's plans to develop jointly a new computer operating system represent a serious challenge to Microsoft, which has dominated the personal computer system software market for the past decade.

On the hardware side, Apple Computer's decision to adopt IBM's reduced instruction set computing (Risc) microprocessor for use in future Macintosh products ends months of speculation over which semiconductor manufacturer's microprocessor would win Apple's endorsement.

Motorola, which is currently Apple Computers' microprocessor supplier, had been offering Apple an updated version of its own Risc microprocessor design. Apple is also said to have considered Risc chips from other manufacturers.

In the end, however, Motorola wins despite having lost its bid to persuade Apple to use its own chips. Under the terms of the agreement with Apple, IBM will license Motorola to develop a single chip version of the IBM Risc chip set currently used in IBM computer workstations.

Motorola will supply the new chip, to be called the Power PC microprocessor, to both Apple and IBM. Apple will use the chip in future Macintosh personal computers, while IBM will put it to work in both workstations and file servers, computers that provide data storage facilities on computer networks.

Motorola said that it also intends to market the Power PC microprocessor in a variety of configurations that target a broad spectrum of computer systems.

The broadest impact of the IBM-Apple alliance may, however, come in the personal computer market. The agreement follows another coalition of companies, led by Microsoft, Compaq Computer, Digital Equipment and Mips Computer that aims to design a new generation of computers based upon Mips' Risc microprocessors.

The "Ace initiative", as the industry group is called, represents a challenge to both IBM and Apple and may have prompted IBM and Apple to put aside long-time rivalries to focus on long-term efforts to maintain market leadership.

Both Apple and IBM are also currently facing common problems in the personal computer market as they attempt to combat competition from lower priced "clones" of IBM personal computers.

Both companies have been forced to reduce their prices significantly to remain competitive.

By joining forces, IBM and Apple could reduce significantly the cost to each company of developing a new generation of personal computer technology at a time when both are under pressure to improve their profit margins.

Implementation of the IBM-Apple alliance is, however, as the companies point out, dependent upon the execution of definitive contracts. Given the very different corporate personalities of the companies, it is entirely possible that difficulties may arise as they attempt to work out details of the agreements.

Announcement of the "letter of intent" to work together was delayed at least twice over the past week. While these initial snags have apparently been overcome, it is by no means certain that new problems will not arise.

NCR merger agreement revised by AT&T

By Karen Zagor in New York

AMERICAN Telephone & Telegraph (AT&T) yesterday said it had amended its merger agreement with NCR in a move designed to expedite approval of its plan to account for the merger as a pooling of interest. The pooling of interest method would allow an all-stock transaction that would be tax-free to NCR shareholders.

AT&T, which had offered $110 a share or about $7.48bn for the Ohio-based computer company, said it had agreed to increase its offer by 74 cents a share, while NCR has agreed to omit paying any further dividends before the merger, subject to the approval of its board.

The exact number of AT&T shares will be based on the average closing price during the 20 trading days ending on the fifth day before the special NCR shareholder meeting to vote on the merger.

The average stock price used will be no more than $40.625 and no less than $34.125. The additional 74 cents will not be subject to this limitation. At mid-session yesterday, the issue was off $¼ at $39⅛.

AT&T is still waiting for a decision by the Securities and Exchange Commission, the US watchdog, on its proposal to use the pooling-of-interest accounting method.

If SEC approval is withheld, AT&T has said it would have to changes the structure of its offer to a 40 per cent cash and 60 per cent stock purchase. The cash component would be taxable.

The accounting method is intended to offset the impact of goodwill from the merger, which analysts estimate could deplete annual earnings by about 5 per cent.

The date for the NCR shareholder meeting, which is expected to be held in the autumn, will be set after the SEC decision.

Petro-Canada shares slip to below flotation price

By Bernard Simon in Toronto

THE share price of Petro-Canada, the Calgary-based oil company, continued to slip in heavy trading volumes yesterday, adding to losses suffered by investors and underwriters in Canada's biggest privatisation.

Petro-Canada issued 39.5m shares two weeks ago at C$13 apiece as well as 2.5m shares to employees, giving the public a 20 per cent stake in the company.

The underwriting group supported the trading price at close to the issue level until last Friday's deadline for investors to withdraw their applications for shares.

By mid-day yesterday, the price had sunk to C$12.50.

About 13m Petrocan shares, equal to a third of the total issue, have been traded in the past two weeks.

An official at RBC Dominion Securities, lead underwriter for the issue, declined to say how many shares the underwriting group has bought to stabilise the market.

He said the drop in the price "is not something we like to see, but it's not an undue concern".

About 22 per cent of the Petrocan issue was taken up by foreign investors. The international underwriting syndicate was led by S.G. Warburg and Dominion Securities, and the US syndicate by Morgan Stanley.

Petrocan's business outlook has deteriorated markedly in recent weeks as the severity of the recession in the Canadian oil refining and marketing industry has become apparent.

The share price of Imperial Oil, the country's biggest integrated oil company, has dropped from C$54 to C$51.50 in the past month.

Mr Jim Doak, oil analyst at First Marathon Securities, predicts that Petrocan will suffer a loss for 1991 as a whole, compared with net earnings of C$113m (US$99m) last year.

Petrocan's woes are not expected to influence the partial-privatisation issue of Cameco, the Saskatchewan uranium producer, whose shares start trading today.

One trader said he expected Cameco's shares to open at a premium to their issue price of C$12.50. The company is one of the world's biggest and lowest-cost uranium producers.

It has raised C$130m from the sale of 10.4m shares, lowering the combined stake of the federal and Saskatchewan governments from 100 per cent to 80 per cent.

BHP completes Hamilton link

By Kevin Brown in Sydney

BROKEN HILL Proprietary, Australia's largest company, yesterday said it had completed a merger between its petroleum division and Hamilton Oil of the US, formerly a 51 per cent-owned subsidiary.

The merger follows a cash tender offer of US$40 per share in March which lifted BHP's stake to 78 per cent.

The offer valued Hamilton at US$1.05bn.

The merger with Denver-based Hamilton follows approval of the terms from a committee of independent directors and a shareholders' vote. The offer had previously been recommended by Mr Frederick Hamilton, the company's chairman and chief executive.

BHP acquired its holding in Hamilton in 1987 from Volvo, the Swedish car-maker, as part of its strategy of diversifying its oil interests away from the Australian coast.

Hamilton has extensive oil and gas interests in the North Sea and Irish Sea, off the UK coast, and its exploration abilities are highly regarded in the industry. Hamilton was part of the consortium which discovered the first North Sea oilfield in 1975.

The merger gives control of Hamilton's exploration expertise to BHP and is expected to provide a significant boost to the group's search for oil reserves.

MUI share rise fuels speculation

By Lim Siong Hoon in Kuala Lumpar

SHARES of Malayan United Industries (MUI), the banking, manufacturing, property and hotel group, were yesterday the focus of the Kuala Lumpur stock market, raising the possibility that it may be steeling itself against a raid.

MUI prices moved against the trend, rising from M$2.29 on Tuesday to M$2.37 yesterday, on turnover of 3.6m shares, a volume equivalent to 10 per cent in overall trade.

One analyst said the movement at MUI "is suggestive of a raid" and that Mr Khoo Kay Peng, chairman and chief executive, has been in the market "to collect shares".

MUI is currently valued at M$1.5bn. Unlike most other Malaysian publicly listed companies, its shares are widely distributed.

Security Pacific warns of lower net income due to bad debts

By Martin Dickson in New York

SECURITY Pacific, the Los Angeles-based banking group, yesterday added to a string of gloomy announcements from the Californian banking industry when it warned that its second-quarter net income would be substantially below analysts' expectations because of bad loans.

The bank said it expected to report second-quarter net income of about $50m, or 33 cents a share, against $96.5m, or 71 cents, in the first quarter and $195.2m, or $1.59, in the same period last year.

Analysts had been forecasting earnings per share of 70 to 80 cents, and the company's stock fell $1 in early trading on the New York Stock Exchange, to stand at around $21¾ at lunchtime.

Security Pacific said its second-quarter provision for credit losses was likely to be more than $100m above the $271.1m reported in the first quarter. Net credit losses were expected to total about $300m, up from $225m in the first quarter, with the increase concentrated in the British real estate market.

Non-performing assets were expected to increase about $100m more than the $558m reported in the first quarter, with about half of the increase accounted for by Californian commercial real estate.

The increase includes about $100m of loans to highly leveraged transactions (HLTs) as well as British and Australian credits.

In a move which may increase concern about other banks' exposure to the California property market, Security Pacific said it was trying to anticipate continuing weakness in the California economy by placing $200m of performing California real estate credits on a non-performing status.

Last week, Wells Fargo, based in San Francisco, said unexpectedly large loan loss provisions would hurt its second-quarter figures, while another California bank, First Interstate, unveiled similar news and a dividend cut.

Wells Fargo is being hit most by loans to highly leveraged transactions, and First Interstate's difficulties centre on the Oregon and Arizona markets. Security Pacific said its total non-performing loans at the end of the second quarter were expected to be around $2.8bn, or 4.3 per cent of related outstandings, up from $2.3bn, or 3.6 per cent, at the end of the first quarter.

L.A. Gear reports $¼m net income

L. A. GEAR, the US footwear and clothing maker, has satisfied its bank credit arrangement by posting second-quarter net income of $258,000, or 1 cent a share, on sales of $182.8m. The figure meets with the terms of its stock purchase agreement with Trefoil Capital Investors which is taking a 30 per cent stake in L. A. Gear, writes Karen Zagor.

A year earlier, L. A. Gear had net income of $10.2m, or 51 cents a share, on sales of $225.4m.

Dai-Ichi Real Estate plans to reduce debt

DAI-ICHI Real Estate, one of Japan's largest property companies, which has liabilities of about Y400bn ($3bn), has revealed a reconstruction plan for reducing its debts to around Y150bn to Y160bn through the sale of part of its shareholdings over the next three years, Kyodo reports.

The large liabilities stem from the Tokyo-based company's active real estate investments abroad in recent years. In 1986, it purchased Tiffany & Co's building in New York for $94.35m.

At end-March, Dai-Ichi's debts stood at Y417bn. Mr Yukio Sato, chairman, said the company now held Y160bn worth of about 20 stocks. The company is planning to sell around two-thirds of that amount and part of its overseas real estate to cut its debts, Mr Sato said.

COMPANY NEWS IN BRIEF

Offers for 11 Campeau stores

FEDERATED Department Stores and Allied Stores, the two retail arms of Canada's Campeau Corporation, said they had received offers totalling $78m in cash for nine Jordan Marsh and two Burdines department stores, writes Nikki Tait.

The companies, which are currently in bankruptcy proceedings, have filed applications to sell the stores.

The offers have come from J. C. Penney, Dayton Hudson and Montgomery Ward.

Federated and Allied confirmed that they were seeking to sell a further nine "duplicative or underperforming" Maas Brothers/Jordan Marsh outlets in Florida.

Commissioner takes control of insurer

MR John Garamendi, the Californian state insurance commissioner, seized control of Great Republic Insurance Company, a California-based unit of Great Republic Life Insurance Company, writes Nikki Tait.

The latter operates from Seattle, in Washington state.

Mr Garamendi, who has already seized a couple of larger insurance companies since he took up his post in January, said that he believed that any further transaction of business by Great Republic would be "hazardous" to policyholders, creditors and the general public.

The insurance department argued that Great Republic would exhaust its liquid assets before November if it was allowed to continue operating in its present condition.

Castle & Cooke up

CASTLE & Cooke, the US west coast fresh food and property group, reported sales of $1.62bn in the first six months of 1991, compared with $1.45bn a year ago. Net income was $78.8m against $57m.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 04.07.91: Pool purchase price £/MWh	Final Prices for Trading on 05.06.91: Pool purchase price £/MWh	Final Prices for Trading on 05.06.91: Pool selling price £/MWh
0030	15.95	18.01	19.67
0100	15.95	18.01	19.67
0130	15.95	18.01	19.67
0200	15.95	18.01	19.67
0230	15.95	18.54	20.22
0300	15.95	18.54	20.22
0330	15.95	18.01	19.68
0400	16.95	18.01	19.68
0430	15.95	18.01	19.67
0500	15.95	18.01	19.67
0530	15.95	16.19	16.19
0600	15.95	16.17	16.17
0630	15.95	16.28	16.28
0700	16.30	17.22	17.22
0730	18.10	19.26	20.96
0800	20.91	19.85	21.59
0830	20.98	21.59	23.50
0900	21.05	23.15	25.43
0930	21.13	24.79	27.37
1000	21.16	25.72	28.50
1030	21.21	25.71	28.57
1100	21.27	25.53	28.38
1130	21.43	25.78	28.68
1200	21.52	26.07	29.06
1230	21.47	25.52	28.34
1300	21.31	24.22	26.75
1330	21.12	22.51	24.64
1400	21.05	21.81	21.81
1430	21.03	21.29	21.29
1500	21.03	21.21	23.00
1530	21.04	21.21	21.21
1600	21.11	21.35	21.35
1630	21.21	21.72	23.85
1700	21.23	21.97	23.95
1730	21.13	21.80	23.74
1800	21.00	21.37	23.22
1830	20.90	20.39	22.13
1900	18.56	19.78	21.48
1930	18.40	19.75	21.46
2000	18.40	19.61	21.22
2030	18.10	19.16	20.86
2100	18.10	19.16	20.86
2130	19.74	20.98	22.73
2200	20.34	20.98	22.71
2230	20.34	20.98	22.70
2300	19.74	18.89	20.57
2330	19.74	18.89	20.58
2400	17.95	18.36	20.04

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.88/MWh becomes 1.688p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision

NGC Settlements Limited

PUBLIC WORKS LOAN BOARD RATES

Effective July 3

Quota loans*

Years	EPI†	AI††	At maturity§
1			11
Over 1 up to 2	11	11	10⅞
Over 2 up to 3	10⅞	10⅞	11
Over 3 up to 4	10⅞	10⅞	11
Over 4 up to 5	10⅞	11	11⅛
Over 5 up to 6	11	11	11¼
Over 6 up to 7	11	11	11⅜
Over 7 up to 8	11	11⅛	11⅜
Over 8 up to 9	11⅛	11¼	11½
Over 9 up to 10	11¼	11⅜	11½
Over 10 up to 15	11⅜	11½	11½
Over 15 up to 25	11½	11⅜	11⅜
Over 25	11⅜	11⅜	11¼

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

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March 1991

INTERNATIONAL CAPITAL MARKETS

State role for Polish SE urged at opening

By Christopher Bobinski in Warsaw

MR PIERRE Beregovoy, the French finance minister, this week argued for a strong regulatory role for the state in stock markets. He was speaking at the formal opening of Poland's new stock exchange.

He said the French government would offer to finance software costs for the exchange when it was computerised this autumn.

The exchange, which is modelled on the Lyons bourse and has been holding weekly sessions since mid-April, trades the shares of six recently-privatised Polish companies.

On Tuesday, at its 11th session, the exchange noted a turnover of 2.6bn zloty ($233,000), with the prices of five out of six stocks rising and 18,815 shares changing hands.

To the surprise of Poland's prime minister, Mr Jan Krzysztof Bielecki, who favours a free market, Mr Beregovoy went on to underline that "the state has a fundamental role to play in a market economy". The prime minister opened the exchange.

He was dismissive of the "mysterious workings of the invisible hand", and insisted that a prosperous and well-ordered economy depended on "the state acting as the guardian of the common interest".

A stock exchange left to itself led to "excess and undue enrichment" at the expense of "the common savers, the companies themselves" and to the profit of a few large investors.

Mr Wieslaw Rozlucki, chairman of the exchange, which is state-owned and subsidised, said there were hopes that by the end of the year the shares of some 20 companies would be listed.

HK securities watchdog calls for more power

THE HEAD of Hong Kong's securities watchdog will ask the government to expand the organisation's power to investigate and impose penalties on companies that take advantage of shareholders, Reuter reports from Hong Kong.

Mr Robert Owen, chairman of the Securities and Futures Commission (SFC), also warned that if the Hong Kong government did not reduce sharply its tax on stock transactions, institutional players would shift business to the London exchange once its own levy was eliminated next year.

Speaking at a press conference where he presented the SFC's annual report, Mr Owen said the colony lacked an authority with power to look into shareholder abuses that fell short of criminal offences.

While the UK securities rules on which Hong Kong regulations are based gave such responsibility to the Trade Department, local statutes did not provide such leeway to an equivalent local body.

He said the SFC already had a staff of investigators capable of such work, but who lacked the legal standing to do it.

"In cases of abusive powers by company management, we can't undertake investigations or apply sanctions," he said.

Mr Owen said if the government did not reduce its 0.5 per cent levy on each side of share transactions, institutions would increasingly deal in Hong Kong shares on the London stock market once the UK abolished its levy in May 1992.

Such a move, he said, would "influence profoundly" the level of trading on the exchange. The government cut the levy by 0.1 per cent earlier this year.

● THE Hong Kong Futures Exchange (HKFE) will introduce four new contracts on July 16. The contracts, approved by the government yesterday, are for the properties, utilities, financial and commercial sub-indices of the local Hang Seng index.

Treasuries rally modestly on weak home sales data

By Patrick Harverson in New York and Sara Webb in London

US BOND prices recovered from two days of decline yesterday morning, rising across the board in response to unexpectedly weak new home sales data.

At midday, the benchmark 30-year Treasury issue was up ⅜ at 96⅝, to yield 8.420 per cent. The two-year note was also firmer, up ⅛ at 100⅛, to carry a yield of 6.948 per cent. Dealers reported that trading activity was light, with many participants staying away from the market ahead of today's Independence Day holiday.

The market rallied after the Commerce Department reported that sales of new single-family homes fell 3.3 per cent in May, and that sales in April had not risen 1.2 per cent as originally estimated, but fallen 0.2 per cent.

The figures confounded analysts' estimates of rising home sales, and investors bought bonds in the hope that the Federal Reserve may lower interest rates again to stimulate economic activity.

Once the home sales data had been digested, the market switched its attention to the late-June car sales figures, due to be released later in the afternoon. The most important statistics, however, will be the June employment report, due for release today.

■ WORRIES about inflation, taxation and the political situation in Yugoslavia continued to weigh on the German government bond market. Bund prices slipped early in the day, then rallied as the US Treasury bond market rose on opening.

The Liffe bund futures contract opened at 84.67, falling to a low of 84.53 before picking up to reach 84.68 in the late afternoon.

Traders said there was some buying of bunds by domestic investors, although it was much lighter than expected given that yields on longer-dated bunds have reached 8.5 per cent.

The Bundesbank accepted bids for a total of DM49.0bn in a two-tranche tender for securities repurchase funds at slightly higher rates than previously, which was taken as a sign of a tightening of monetary policy.

■ UK government bonds rallied again as institutional investors continued to switch out of German government bonds and into gilts.

The gilt-bund yield spread has widened from about 150 basis points at the start of the year to around 218 basis points at the end of last week. However, the yield spread fell back to about 184 basis points yesterday following strong interest in the gilt market by foreign investors.

The market has been lifted by hopes that inflation will continue to fall, and helped by sterling's strength in the foreign exchange markets.

■ THE JAPANESE government bond market shrugged off the fall in equities and the weakening of the yen, closing virtually unchanged on the day.

The yield on the No 129 benchmark opened at 6.78 per cent in Tokyo, and traded between 6.765 per cent and 6.79 per cent before closing unchanged on the day.

Yields are close to where they were trading late last week, before the Bank of Japan cut the Official Discount Rate from 6 per cent to 5.5 per cent on Monday.

Traders said that if the equity market continues to fall, the Bank of Japan may allow overnight call money rates to ease slightly.

GOVERNMENT BONDS

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		12.000	11/01	105.8112	-0.674	11.04	11.13	10.76
BELGIUM		10.000	08/00	103.3000	-0.250	9.43	9.38	9.11
CANADA *		9.750	06/01	97.8500	+0.200	10.10	10.07	9.88
DENMARK		9.000	11/00	98.1250	+0.050	9.29	9.28	9.15
FRANCE	BTAN	9.000	02/96	98.8315	-0.036	9.29	9.32	9.00
	OAT	9.500	01/01	102.0800	+0.180	9.15	9.18	8.98
GERMANY		8.375	05/01	98.0800	+0.090	8.51	8.37	8.29
ITALY		12.500	03/01	97.1900	+0.080	13.43	13.33	12.88
JAPAN	No 119	4.800	06/99	87.7132	-0.131	7.23	7.28	7.08
	No 129	6.400	03/00	97.8911	-0.053	6.79	6.82	6.64
NETHERLANDS		8.500	03/01	98.1700	+0.010	8.78	8.69	8.59
SPAIN		11.900	07/96	99.7750	+0.150	11.95	12.06	11.89
UK GILTS		10.000	11/96	98-22	+12/32	10.32	10.52	10.36
		10.000	02/01	97-26	+22/32	10.35	10.60	10.45
		9.000	10/08	91-10	+20/32	10.08	10.26	10.15
US TREASURY *		8.000	05/01	96-09	+02/32	8.26	8.32	8.10
		8.125	05/21	96-23	+04/32	8.43	8.49	8.31

London closing. *denotes New York morning session. Yields: Local market standard
Prices: US, UK in 32nds., others in decimal. Technical Data/ATLAS Price Sources

Privy Council backs NZ Revenue

THE NEW Zealand Stock Exchange has expressed disappointment at a Privy Council decision endorsing Inland Revenue Department powers to continue searching bank and broking records for capital gains on shares, writes Terry Hall in Wellington.

Share capital gains are not illegal in New Zealand, and the Revenue must prove that the person who made the profit could be deemed a share-trader by the number of transactions, and speed of transactions.

The case follows a series of legal challenges in New Zealand courts brought by the NZ Stock Exchange and the National Bank of New Zealand, a subsidiary of Lloyds Bank.

The Privy Council has upheld a decision by the Court of Appeal to the Revenue's claim for lists of clients as a way of finding potential tax dodgers.

In 1988, the Revenue moved to seek information about interest payments and share trading gains by taxpayers who it believes might not be declaring the income.

The chairman of the New Zealand Stock Exchange, Mr David Wale, said yesterday the exchange did not believe the 1974 Revenue Act was meant to give the department such wide powers.

He said it now seemed possible that the Revenue would seek the same information from accountants.

FT/AIBD INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 6:10 pm on July 3

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABBEY NATIONAL 8 7/8 93	150	101⅛	102	+⅛	7.77
ALBERTA PROVINCE 9 3/8 95	600	103¼	103½		8.46
AUSTRIA 8 1/2 00	400	98⅛	98½	+⅛	8.81
BANK OF TOKYO 8 3/8 96	100	98⅞	99⅛	+⅛	8.69
BELGIUM 9 1/8 92	400	101⅛	101⅜	-⅛	7.83
BFCE 7 3/4 97	150	97⅞	98⅛	+⅛	8.22
BNP 8 5/8 94	300	101½	101⅞	+⅛	8.05
BP CAPITAL 9 5/8 93	150	102⅝	103⅛	+⅛	7.69
CANADA 9 96	1000	102⅞	103⅛	+⅛	8.21
CARCO 9 1/4 96	650	100¼	101¼		9.18
CCCE 9 1/4 95	300	103¼	103½	+⅛	8.16
COUNCIL EUROPE 8 96	100	98½	99		8.37
CREDIT FONCIER 9 1/2 99	300	103⅛	103⅜	+⅛	8.86
DENMARK 0 98	250	54⅞	55⅛		8.87
DENMARK 8 1/4 94	150	100⅞	101⅛		7.96
ECSC 8 1/4 96	195	100	100⅜	+⅛	8.23
EEC 7 1/4 93	250	99⅝	100	-⅛	7.46
EIB 7 3/4 96	250	98	98⅜		8.25
EIB 9 1/4 97	1000	102½	102⅞	+⅛	8.70
ELEC DE FRANCE 9 98	200	101⅞	102⅛	+⅛	8.63
EUROFIMA 9 1/4 96	100	102	102⅜	+⅛	8.69
EXPORT DEV CORP 9 1/2 98	150	103⅞	104⅛	+⅛	8.76
FINLAND 7 7/8 97	200	96½	97¼	+⅛	8.67
FINNISH EXPORT 9 3/8 95	200	103⅛	103⅜	+⅛	8.39
FORD MOTOR CREDIT 9 1/2 93	300	102¼	102⅝	-⅛	8.35
GEN ELEC CAPITAL 9 3/8 96	300	103½	104	+⅛	8.47
GMAC 9 1/8 96	200	100⅛	100⅝	-⅛	9.07
HALIFAX 9 1/2 93	200	102	102⅜	-⅛	8.35
IBM WORLD TRADE 7 5/8 93	150	99½	100⅛	+⅛	7.83
IND BK JAPAN FIN 7 7/8 97	200	96	96½	-⅛	8.77
INTER AMER DEV 7 5/8 96	200	96½	96⅞	+⅛	8.48
ITALY 8 1/2 94	1500	101⅛	101½	+⅛	7.99
JAPAN DEV BK 8 94	150	100⅛	100⅜		7.89
KANSAI ELEC PWR 10 96	350	104⅛	104⅜		8.84
LTCB 8 5/8 93	150	101¼	101⅝		7.84
NEW ZEALAND 8 93	100	100¼	100⅝	-⅛	7.85
NIPPON CRED BK 9 3/4 93	150	103¼	103⅝		8.09
NIPPON TEL & TEL 9 3/8 95	200	103⅜	103⅞		8.24
NORDIC INV BANK 9 93	200	102½	102⅞	-⅛	7.60
ONTARIO HYDRO 11 5/8 94	200	107⅜	108⅛		8.20
OSTER KONTROLLBANK 8 1/8 93	200	100⅞	101¼	-⅛	7.52
PETRO-CANADA 7 1/4 96	200	94⅞	95½	+⅛	8.57
PRUDENTIAL RLTY SECS 0 99	365.216	51	51½	+⅛	9.35
QUEBEC HYDRO 9 3/4 98	150	103	103½	+⅛	9.15
QUEBEC PROV 9 98	200	99⅝	100	+⅛	9.11
SAINSBURY 9 1/8 96	150	101½	102¼		8.77
SAS 10 99	200	99⅝	100⅛	-⅛	10.10
SBAB 9 1/2 95	500	103½	103⅞		8.40
STATE BK STH AUST 9 1/4 93	100	101⅞	102½	-⅛	7.99
SUMITOMO BK CAP MKT 9 3/8 93	150	102⅝	103⅛	+⅛	8.08
SWEDEN 8 1/8 94	150	100	101	-⅛	8.12
SWEDISH EXPORT 9 5/8 93	100	103¼	103⅝	+⅛	7.40
TOKYO METROPOLIS 8 1/4 96	200	99¼	99⅜		8.41
WORLD BANK 8 3/8 99	1500	98⅜	99		8.75
WORLD BANK 8 3/4 97	1500	101⅞	102	+⅛	8.50
XEROX CORPN 8 3/8 96	100	95¼	97		9.55

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
DEUTSCHE BK FIN 5 5/8 96	750	89⅝	89⅞		8.28
DEUTSCHE FINANCE 7 1/2 95	1000	97½	97⅞		8.32
EEC 5 3/8 93	300	95¼	95⅝	+1⅛	8.94
EIB 5 3/4 98	400	85⅛	85⅜		8.62
EIB 6 7/8 95	300	93¼	93⅝		8.63
EUROFIMA 6 1/4 98	400	87¼	87⅝	-⅛	8.75
FERRO DEL STAT 5 3/8 93	500	95	95⅜	+⅛	8.97
IND BK JAPAN FIN 5 5/8 96	200	88	88⅜	+⅛	8.78
IND DEV BK INDIA 6 3/8 94	200	88⅜	88⅝	+⅛	10.38
INTER AMER DEV 7 1/4 99	300	93	93⅜	+⅛	8.49
LUFTHANSA INT FIN 5 7/8 98	500	86½	86⅞		8.60
MET EST & PROP INTL 7 99	150	86¼	86⅝	-⅛	9.56
NAT BK HUNGARY 8 96	200	91⅛	91½	-½	10.18
QUEBEC HYDRO 6 3/4 99	300	88⅞	88⅞		8.78
SWEDEN 6 1/8 98	300	88¼	88⅝	+⅛	8.49
VENEZUELA 8 1/4 93	100	96⅛	97	+⅛	9.81
WORLD BANK 0 15	2000	16	16		7.78
WORLD BANK 5 3/4 96	300	87⅛	87½	-2	9.20
WORLD BANK 7 1/8 95	500	94⅞	95⅛	-1⅞	8.85

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ASIAN DEV BANK 6 10	100	95	96	-½	6.46
AUSTRIA 4 5/8 98	100	90¼	90½		6.48
CHUJITSUYA 7 3/4 95	50	101	102		7.45
COUNCIL EUROPE 4 3/4 98	250	90	90½	+½	6.66
EEC 5 1/2 00	100	92	92½		6.67
EIB 5 3/4 93	100	97½	98	-⅛	6.93
ELEC DE FRANCE 7 1/4 06	100	104½	105⅛		6.75
FINLAND 5 3/8 95	150	96	96½		6.45
GENERAL MOTORS 7 1/2 95	100	101½	102	+⅛	7.02
JAPAN DEV BK 5 1/2 94	100	97¼	98	+⅛	6.45
NEW ZEALAND 4 7/8 99	200	88½	89¼	+½	6.86
QUEBEC HYDRO 5 08	100	79	81		7.20
SKANDINAVISKA ENSK 6 1/2 95	100	99½	100		6.65
WORLD BANK 5 03	150	86	87		6.73
WORLD BANK 7 1/4 92	100	100½	101	-⅛	6.73

YEN STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
AUSTRIA 4 3/4 94	30000	94⅛	94⅝	-⅛	7.24
CANADA 4 3/8 92	80000	97⅛	97⅜		7.53
CREDIT FONCIER 5 1/4 94	20000	93⅞	94⅛		7.30
DENMARK 7 95	40000	99⅜	99⅞	-⅛	7.10
EIB 4 5/8 94	40000	93⅝	93⅞	-⅛	7.18
GENERAL ELECTRIC 5 3/4 93	35000	97	97½		7.62
INTER AMER DEV 7 1/4 00	30000	101⅛	101⅝		7.03
ITALY 5 3/4 92	150000	99¼	99½	+⅛	6.94
KANSAI ELEC PWR 4 5/8 94	60000	93¼	93½		7.35
NIPPON TEL & TEL 5 7/8 96	50000	95⅛	95⅝	-⅛	7.01
NORWAY 5 1/8 95	50000	93⅝	93⅞	-⅛	7.11
SWEDEN 5 3/8 95	20000	94¼	95¼		7.10
WORLD BANK 6 3/4 00	50000	98⅞	99¼	-⅛	6.92

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
BAYERISCHE VEREINS INT 7 94 LFr	600	94⅞	95¼		9.24
KREDIETCORP 7 93 LFr	1000	96	97		9.17
WORLD BANK 8 96 LFr	1000	96¼	97¼		8.85
AMRO BANK 6 1/4 92 Fl	150	96⅝	97⅛		9.55
RABOBANK 5 3/4 93 Fl	150	94½	95¼		9.44
ALBERTA PROVINCE 10 92 C$	500	100⅛	100⅝		9.72
BCE INC 9 5/8 93 C$	300	99	99⅛	+⅛	10.21
BELL CANADA 10 5/8 99 C$	150	97⅞	98		11.11
BRITISH COLUMBIA 9 1/4 93 C$	150	98⅝	99¼		10.12
EIB 10 1/8 98 C$	130	97⅞	99¼	-½	10.56
FORD CREDIT CANADA 10 94 C$	100	97⅝	98¼		10.92
GENERAL ELECT CAP 10 1/4 93 C$	175	100⅝	100⅞		10.01
MONTREAL TRUSTCO 3 1/2 92 C$	100	98⅝	99⅛		10.54
ONTARIO HYDRO 10 7/8 99 C$	500	99⅝	99⅝	+⅛	10.98
QUEBEC PROV 10 1/2 98 C$	200	96⅞	97⅜		11.11
ROYAL TRUSTCO 10 1/4 93 C$	100	99	99½	+⅛	10.83
SWEDEN 9 3/4 93 C$	250	99⅞	100⅜		9.79
BELGIUM 9 1/8 96 Ecu	1250	99⅜	99⅞		9.17
CAT 7 3/8 93 Ecu	250	95½	96⅝		9.98
CREDIT LYONNAIS 9 96 Ecu	125	96⅜	98⅛	-½	9.86
DENMARK 7 5/8 96 Ecu	250	92½	93¼	+⅝	9.74
EEC 7 5/8 94 Ecu	200	96½	96⅝		9.31
EIB 10 97 Ecu	1125	104⅛	104¼		9.01
ITALY 10 3/4 00 Ecu	1000	108¼	108⅝	+⅛	9.32
UNITED KINGDOM 9 1/8 01 Ecu	2750	99⅝	99⅞	-⅛	9.17
BMW FINANCE 14 1/2 92 A$	100	101⅝	102⅛	-⅛	12.07
COUNCIL EUROPE 13 93 A$	50	101¼	102¼		12.01
EKSPORTFINANS 12 3/8 95 A$	75	102⅞	103⅜		11.41
FORD CRED AUST 13 93 A$	50	100⅛	101¼	-⅛	12.71
ICI 15 1/2 92 A$	100	102⅞	103⅛		11.90
MCDONALDS CANADA 15 95 A$	100	108½	109	-⅛	12.18
NAT AUSTRALIA BANK 14 3/4 94 A$	150	106⅛	106⅜		11.81
STATE BK NSW 14 1/4 99 A$	100	108¼	108⅝	-⅛	12.56
VOLKSWAGEN INTL 15 94 A$	100	107¼	107¾	+⅛	11.76
ABBEY NATL TREAS 13 3/8 95 £	100	105¼	106⅛		11.31
BARCLAYS JERSEY 9 1/2 93 £	250	97½	97⅞		11.08
BRITISH GAS 12 3/4 95 £	300	104½	105		11.11
DEUTSCHE BK FIN 11 94 £	225	100¼	100⅝		10.82
EIB 10 97 £	386.5	95⅞	96¼		11.00
FORD CREDIT FUNDING 9 5/8 93 £	50	96½	97⅛	+⅛	11.86
INTER AMER DEV 11 3/8 95 £	75	101⅛	102¼	+⅛	10.79
ITALY 10 1/2 14 £	400	92½	93	+⅛	11.43
LAND SECS 9 1/2 07 £	200	81	81⅜	+½	12.26
LEEDS PERMANENT 9 1/4 93 £	50	96⅝	97⅛		11.29
NORWAY 10 1/2 94 £	200	99⅜	99⅞		10.79
ROLLS-ROYCE 9 5/8 93 £	150	96⅜	97⅛		11.62
SAINSBURY 10 7/8 93 £	100	99⅝	100	-⅛	11.24
SKANDINAVISKA ENSK 13 1/8 95 £	100	104⅛	105½	+⅛	11.41
WORLD BANK 11 1/4 95 £	100	101½	102	+⅛	10.73
ABBEY NATIONAL 0 96 NZ$	100	58	59	-⅛	10.93
TELECOM NZ O/S FIN 13 1/8 93 NZ$	75	104¼	105¼		10.81
AIDC 7 7/8 93 FFr	600	96¼	96½		9.78
CREDIT LYONNAIS 10 95 FFr	3200	101¼	101½	+⅛	9.99
EURATOM 7 5/8 98 FFr	500	91⅞	92⅛	+⅛	9.26

FLOATING RATE NOTES	Issued	Bid	Offer	C.cpn
ALBERTA PROVINCE 1/32 93	500	99.95	100.05	6.5156
ALLIANCE & LEICS 0.08 94 £	300	99.46	99.56	11.9550
BANCO ROMA 0.03 01	200	92.25	93.25	6.4675
BANCO SANTO SPIRITO 93	200	99.50	99.66	6.5000
BELGIUM 1/16 97 DM	500	99.95	100.10	9.1250
BFCE -0.02 96	350	99.81	99.91	6.1050
BNP 85	300	95.75	96.75	6.4375
BRITANNIA 1/10 96 £	150	99.08	99.28	11.9750
CCCE 06 ECU	200	99.79	99.89	9.5938
CITIZENS FED 0.15 96	100	99.25	99.75	7.0250
COMMERZBK O/S FIN 93	200	99.88	99.98	6.5625
DENMARK -1/8 96	1000	99.55	99.65	6.5938
DRESDNER FINANCE 1/32 98 DM	1000	99.92	99.98	9.2656
ELEC DE FRANCE 1/8 99	400	100.35	100.73	7.0000
FERRO DEL STAT 94	200	100.45	100.70	6.8750
HALIFAX 1/10 94 £	200	99.78	99.92	11.7250
HILL SAMUEL 1/4 PERP	75	84.50	86.50	6.4375
MITSUI FIN ASIA 1/8 96	100	99.68	99.78	7.0000
MORGAN (JP) 1/4 97	250	98.63	99.38	6.2500
NAT WEST FIN 3/16 05	400	92.50	93.50	6.5000
NEW ZEALAND 93	500	99.79	99.89	6.5000
QUEBEC PROV 01	300	96.33	96.58	6.1250
RENFE 98	500	99.87	99.97	6.0625
SOCIETE GENERALE 96	300	99.09	99.19	6.3125
STATE BK VICTORIA 0.05 99	125	98.50	98.75	6.4875
UNITED KINGDOM -1/8 96	4000	99.99	100.02	5.9375

CONVERTIBLE BONDS	Issued	Conv. price	Bid	Offer	Prem.
ARGYLL GROUP 4 1/2 02 £	60	2.86	114¼	115¼	+12.67
ASDA-MFI 4 3/4 02 £	100	1.64	117⅞	118⅞	
BURTON GROUP 4 3/4 01 £	110	3.15	118	119¼	
EASTMAN KODAK 6 3/8 01	300	50.67	95½	96½	+22.12
GOLD KALGOORLIE 7 1/2 00	65	1.8554	69½	70¼	+41.94
GOODYEAR TIRE 6 7/8 03	150	80¼	72⅜	73½	+74.68
GRACE (WR) 6 1/4 02	150	42⅛	91¼	92¼	+13.47
HANSON 9 1/2 06 £	500	2.5875	96⅛	97⅛	+21.66
HAWLEY 6 02 PREF	400	19.1	83	85¼	
HILLSDOWN 4 1/2 02 £	150	4.16	109⅜	110⅜	
INTL PAPER 5 3/4 02	200	68½	107¼	108¼	+2.09
LAND SECS 6 3/4 02 £	84	6.72	83¼	84½	+17.95
MITSUBISHI BK 1 3/4 02	300	2727.1	100⅜	102¼	-2.90
OGDEN 6 02	85	39.077	69¼	70¼	+39.67
PACIFIC DUNLOP 6 3/4 97	75	3.749	107	108	-1.14
TEXAS INSTRUMENTS 2 3/4 02	300	82⅞	83¼	84½	+98.96
THORN EMI 5 3/4 04 £	103	7.45	111⅞	113	+11.43

* No information available - previous day's price
‡ Only one market maker supplied a price

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price, the amount issued is in millions of currency units. Chg. day=Change on day.
FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon.
CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Data supplied by Association of International Bond Dealers.

INTERNATIONAL CAPITAL MARKETS

Big guns out as Portugal's banks wage image war

Patrick Blum finds the stakes rising in a battle for business

THE launch last month of a hard-hitting advertising campaign by Banco de Comercio e Industria (BCI), a private Portuguese bank, emphasising that service can be friendly as well as efficient, has raised the stakes in an increasingly hard-fought publicity war between Portugal's banks.

BCI's implicit message that customers deserved better treatment than they received from their mainly state-owned banks has been well received by the public, says Mr Francisco Veloso, BCI president.

The use of television advertising, showing a customer moving to the counter of a bank, only to be waved from counter to counter by unsmiling and uninterested employees, will have struck a chord with millions of irate customers.

BCI's campaign, combined with the opening of some 30 new branches – doubling the bank's branch network – effectively thrust the bank, known until then mainly to a select group of corporate customers, into the view of a much larger public.

It is the most striking to date among several advertising forays by banks gearing up to meet the competitive pressures unleashed by financial liberalisation, the privatisation of state-owned banks, and the looming European single market in financial services.

Five years of unparalleled growth and high banking margins have mostly benefited the private sector and foreign banks in Portugal, but competition is becoming much tougher. The state-owned banks have been fighting back, sharpening their operations and offering matching products.

Though they still suffer from overstaffing, poor pensions provisions, and inherited bad credits, they have visibly become more competitive.

BANCO Bilbao Vizcaya (BBV), the large Spanish banking group, plans a strong expansion of activities in Portugal following its purchase of Lloyds Bank Portugal, *finalised* last week.

Mr Jose Luis Jolo Marin, BBV Portugal joint managing director, said the bank would raise the number of its branches from the 12 it bought from Lloyds to 32 by the end of the year and to 60 by the end of 1992.

BBV bought Lloyds Portugal for Es28bn ($180m) and will spend a further Es12bn over the next 18 months on new branches, computer systems, and extended staff training.

Privatisation also is bringing demands for change. Banks know that their long-term future will be determined to a great extent by their ability to maintain or win new market shares as well as improving efficiency.

At the same time, growing competition for funds has forced them to attract new customers with offers of high yield schemes and a far wider range of products and services.

Since last year, several banks have undertaken unusually extensive advertising campaigns – developments that have not been viewed with equanimity by the regulatory institutions.

Last April, the government warned banks against giving "misleading" information.

Despite these warnings, competition has continued unabated.

The clear suggestion is that the current banking war over customers funds, and in pursuit of bigger market shares, is unlikely to diminish in intensity for the foreseeable future.

S&P lowers Union Bank of Finland debt rating

STANDARD & Poors, the US credit rating agency, is to downgrade to A from AA minus the senior debt rating of Union Bank of Finland (UBF), affecting a total of $1.7bn of debt, Reuter reports.

UBF's subordinated debt rating is lowered to A minus from A plus, and the bank's certificates of deposit rating is lowered to A/A-1 from AA minus/A-1 plus, said S&P.

The rating downgrades reflect the impact of continued deterioration of the domestic operating environment on the Finnish bank's financial performance.

Moody's Investors Service may downgrade the A-2-rated senior debt of Caterpillar, the US construction machinery group, as well as debt of some of its units. Its A-3 subordinated debt and Prime-1 commercial paper may also be downgraded. About $2.7bn of long-term debt is affected.

Also under review is Caterpillar Financial Services' A-2 senior debt and Prime-1 commercial paper, Caterpillar Financial Australia's Prime-1 commercial paper, and Caterpillar Financial Service NV's A-2 senior debt.

Moody's cited Caterpillar's deteriorating cash flow and leverage, brought on by high capital spending.

Belgium looks at issuing Ecu long-term bonds

BELGIUM is considering issuing long-term government bonds denominated in Ecus in monthly auctions for institutional investors, Reuter reports from Brussels.

Senior Finance Ministry officials said a decision could be made by the autumn and, if it was favourable, the auctions might be launched next year.

The Belgian finance minister, Mr Philippe Maystadt, said in May that Belgium was considering issuing Ecu-denominated government bonds, Treasury certificates, and Ecu private placements.

One source said the issue of Ecu bonds at auctions was the priority in the study.

Concern over Japanese equity-linked issues

JAPANESE equity-linked deals came under pressure after the Tokyo stock market lost 600 points yesterday, prompting concern that the primary market may have to shut again, writes Tracey Corrigan.

A total of $3.5bn of new warrant bonds are due to be launched this month in an already fragile sector, during a traditionally quiet period of the year. Further, the Japanese stock market is considered vulnerable, having retraced the gains it made after Monday's ½ point cut in the Japanese Official Discount Rate. "If the market breaks through its current support level just above 23,000 on the Nikkei index, there could be substantial downside," one analyst suggested.

A substantial portion of the $1.7bn equivalent of new equity-linked debt launched so far this week is not yet placed, and several of yesterday's Swiss franc deals have slipped outside fees.

The market was partly supported by rumours in Tokyo yesterday that the Ministry of Finance was considering imposing controls on the volume of new issues, if not a total moratorium, in an effort to tackle the problems facing the market. There has been a moratorium on fresh equity offerings in the domestic market for the last year, and the equity-linked market closed for three months in 1990, re-opening a year ago.

According to a report in Kinyu Facsimile Shimbum, a Japanese newsletter, the MoF is considering setting an 8 per cent ceiling on equity dilution, which would effectively prevent companies with a substantial amount of outstanding bonds from issuing more warrants.

So far, the only limitation on issue amount has been under the commercial code, which controls the level of debt a company can assume. Japanese bankers in London said they believed there was at least an "element of truth" in such rumours.

Some Japanese bankers said they had already been in informal talks with officials at other securities houses, and were concerned that a moratorium might prove necessary. However, the securities houses are likely to try to persuade companies to press ahead with issues, paying higher interest rates if necessary, several bankers said.

"The coupon for five-year dollar deals has already risen ¼ point to 5 per cent. We are aware that demand from Japanese investors is deteriorating and that the coupon level may have to be increased, perhaps to as much as 6 per cent," one Japanese banker said.

If a moratorium is imposed, some Japanese companies will become even more nervous about their ability to refinance their outstanding equity-linked debt. Many had been counting on the proceeds of the warrants, when exercised, to fund the redemption of old issues. However, the weakness of the Japanese stock market has left many warrants substantially out of the money, so they have not been exercised.

The volume of redemptions, however, does not become heavy until 1992 and 1993, so there is still some time for the market to recover.

Uncertainty lifts demand for floating-rate deals

By Tracy Corrigan

UNCERTAINTY about the likely course of interest rates is bolstering demand for Eurobonds which pay floating-rate rather than fixed interest. The European Investment Bank achieved attractive funding in the floating-rate Ecu sector yesterday with an Ecu400m deal, increased from Ecu300m, which pays interest at 25 basis points below the London interbank offered rate.

INTERNATIONAL BONDS

The deal benefited from strong demand from Italian investors, who do not have to pay withholding tax on bonds issued by supranational agencies. The deal was bid at 99.90, just below its par issue price, and well inside ¼ point fees. Elsewhere, Isveimer, the Italian credit agency, brought a $150m issue of three-year floating rate notes via JP Morgan.

In the nascent Portuguese escudos market for international bonds, still limited to supranational borrowers, the EIB launched an Es20bn deal, increased from Es15bn, via Banco Portugues de Investimento. The deal, the largest in the sector to date, brings outstandings in the market to just over Es120bn. Demand from Italian investors was strong, again because of the EIB's tax-exempt status, but other European investors have also become more active in the sector.

The deal was bid at 101.15, below its 101¾ issue price but well inside its 1⅝ point fees.

However, no more deals are expected until the end of August, as the main institutions able to access the market – the likes of the EIB, Eurofima and the European Coal and Steel Community – only issue bonds when they need to raise escudos for loans.

● UBS Phillips & Drew has launched £50m of two-year "election warrants" on the FT-SE 100 index of UK stocks, designed to provide a hedge against the political risks of a UK general election.

The American-style warrants give investors the opportunity to take a long position in UK stocks, with a money-back option five days after the last possible date for a general election, to provide downside protection.

UBS said similar deals in the past had tended to be expensive, but that the current low level of implied volatility for listed derivatives had allowed these warrants to be priced attractively.

● Peter Wickenden in Taipei writes: Far Eastern Textile, Taiwan's largest manufacturer of textiles and related products, has applied to the Finance Ministry to issue a US$125m convertible Eurobond.

The planned issue is Taiwan's biggest. The fourth such application so far this year, it puts a seal of approval on the newly-opened Taiwanese Euroconvertible market after a 20-month hiatus.

Sybil Yang, a member of Far Eastern's Eurobond project team, said likely terms for the issue included a maturity of 15 years with a coupon between 3 and 5 per cent and a conversion premium between 15 and 40 per cent.

After approval by Taiwan's Securities and Exchange Commission, the issue is to be launched in London or Luxembourg in September, with Salomon Brothers as lead manager.

In line with Taiwanese government policy, Far Eastern plans to use the cash to fund overseas investments. These include a man-made fibre manufacturing plant in the Philippines, a plastics joint venture with Union Carbide in Canada, and an as-yet undisclosed foreign acquisition. Ms Yang stressed that the company was not looking for ways to restructure its existing debts.

The same cannot be said of Acer, the island's leading maker of personal computers, which in late May launched a US$45m convertible to ease the burden of interest payments arising from a spate of foreign acquisitions over the past three years.

Investor worries about the wisdom of some of these deals, particularly the purchase last year of troubled Altos Computer Systems in the US, led to the bond issue being poorly received and to secondary trading at a sizeable discount, according to brokers in Taipei.

The Acer deal was followed in June by a more successful US$29m issue from Microtek, which claims to be a world leader in image scanners and laser printers and is developing applications for image-shrinking technology. The issue was jointly lead-managed by Nomura Securities and Barclays de Zoete Wedd.

The market now awaits a US$50m convertible issue by Tung Ho Steel. The deal calls for a 3.5 to 4 per cent coupon and a conversion premium of 15 to 20 per cent, says John Crossman of Hong Kong-based lead manager Jardine Fleming.

Taiwan's largest private-sector steelmaker, Tung Ho makes reinforcing bars for construction, and is building the island's first plant for making rolled H-beams.

Listed only a year ago on the Taiwan stock market, Tung Ho looks well placed to gain from the government's six year National Development Plan, a US$300bn series of infrastructure projects.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Isveimer(b)‡†	150	(b)	99.95	1994	12.5/5bp	JP Morgan Secs.
Nakayama Steel Works(a)♦	120	5	100	1996	2¼/1½	Nomura Int.
ECUs						
EIB(c)‡†	400	(c)	100	2001	25/15bp	Credito Italiano
Petroleos Mexicanos(d)†	100	11½	100.05	1994	1⅜/⅞	Paribas Cap.Mkts.
CANADIAN DOLLARS						
Vancouver City Savings(a)†	100	10¾	101.55	1996	1⅞/1⅜	Hambros Bank
ESCUDOS						
EIB(e)†	20bn	13	101¾	1996	1⅝	Bco.Portugues d'Investo.
SWISS FRANCS						
Tokyo Tekko(f)★★♦	140	3	100	1996	-	Credit Suisse
Pacific Metals Co.(a)★★♦	120	3	100	1996	-	SBC
Advantest Corp(g)★★♦	100	2⅞	100	1995	-	Credit Suisse
Nippon Densan Corp(a)★★♦	60	2⅝	100	1995	-	Daiwa Secs.(Switz)
Syrex Corp(a)★★†	30	7¼	100	1996	-	Dai-Ichi Kgo.Bk (Schweiz)
SWEDISH KRONOR						
Dresdner Finance BV(a)†	300	11	101⅝	1995	1⅝/1⅛	Dresdner Bank

★★Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Issue launched on fiduciary basis via Kredietbank Lux.. Coupon pays $\frac{1}{16}$% over 6-month Libor. Non-callable. c) Coupon pays 6-month Libor minus 25bp. Callable at par after 2 years and thereafter. d) Amount increased from Ecu75m. Non-callable. e) Callable 24/7/95 at 100½%. f) Callable 18/7/93 at 101½% declining ½% annually. g) Callable 25/7/93 at 101¼% declining ¼% semi-annually.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

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RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	74	1	9
Corporations, Dominion and Foreign Bonds	7	0	13
Industrials	182	346	989
Financial and Properties	45	162	533
Oils	10	26	53
Plantations	1	3	8
Mines	43	23	95
Others	72	37	55
Totals	434	596	1,755

LONDON RECENT ISSUES

FIXED INTEREST STOCKS

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1991 High	1991 Low	Stock	Closing Price p	+ or -
83	Nil	-	8½pm	8pm	Amber Day 2½p	8½pm	
155	Nil	-	20pm	14pm	BPB Industries 50p	15pm	-2
315	Nil	-	70pm	50pm	Bespak 10p	50pm	-1
108	Nil	-	7pm	4pm	Dart Group 10p	6pm	
100	Nil	-	15pm	11pm	‡Flextech 10p	11pm	-1
52	Nil	-	8pm	3pm	Gardner Group 5p	4½pm	
50	Nil	-	23pm	9pm	Gardner (D.C.) 5p	9pm	-5
380	Nil	-	51pm	38pm	Heath (C.E.) 20p	47pm	
72	Nil	-	5pm	2pm	McCarthy & Stone 20p	2pm	
265	Nil	-	40pm	22pm	Morland	24pm	-1
71	Nil	-	7pm	5pm	Regalian Properties	5pm	
150	Nil	-	24pm	6pm	Staveley Inds.	6pm	
22	Nil	-	¼pm	¼pm	The Rack 5p	¼pm	
10	Nil	-	¼pm	¼pm	Welpac 7p	¼pm	
130	Nil	-	19pm	9pm	Westbury 10p	11pm	+1
140	Nil	-	18pm	1½pm	Whitecroft	1½pm	-1½
25	Nil	-	¼pm	¼pm	Williaire 20p	¼pm	

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1990-91. H Dividend and yield based on prospectus or other official estimates for 1991. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings June 24
- Last Dealings July 5
- Last Declarations Sept. 26
- For settlement Oct. 7

For rate indications see end of London Share Service

Calls in Aviva Pet., Burton, Hadleigh Inds., Oliver Res. and Strong & Fisher.

LONDON TRADED OPTIONS

July 3 Total Contracts 23,189
Calls 13,934 Puts 9,255
FT-SE Index Calls 3,477 Puts 4,015
Euro FT-SE Calls 1,354 Puts 1,031
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

UK COMPANY NEWS

Clare Pearson on the two latest electricity companies to report

Weather helps Seeboard to £81.4m

COLD WEATHER accounted for most of last year's volume growth in the distribution business of Seeboard, the south-eastern regional electricity company with the highest proportion of domestic customers.

Announcing pre-tax profits of £81.4m, 35 per cent ahead of the prospectus forecast made last autumn, Seeboard said in the year to end-March units distributed grew by 3.4 per cent. The underlying rise, stripping out the weather effect, was about 1.5 per cent.

Mr George Squair, chairman, said units distributed were up in the first quarter and "the outlook for Seeboard is very good" even though the recession was still evident.

The results included £24m worth of provisions for items such as the potential extra cost of equalisation of pensions between the sexes, restructuring and accelerated depreciation.

A dividend of 10.36p, as forecast, is recommended to give a cover of 2.5. Pro forma earnings per share were 36.5p. Turnover was £1.05bn (£962m).

About half of the profits improvement over the prospectus forecast came from lower than foreseen electricity purchase costs. Unit growth and lower interest charges made up the difference.

George Squair: recession still in evidence

Seeboard recently lost a contract to supply electricity to Heathrow Airport to its neighbouring regional electricity company (Rec), Southern. Mr Squair said the company was disappointed about this but was not prepared to chase supply customers at prices it did not consider economic.

Mr John Elfed Jones, chairman of Welsh Water, has received an 88 per cent pay rise to £143,000. The increase, which is bound to fuel the controversy over the remuneration of directors of privatisied utilities, was revealed when Welsh published its annual report yesterday. It shows that his salary rose from £61,000 to £108,000. Meanwhile performance related bonuses went up from £15,000 to £35,000.

Announcing their results yesterday, directors of Seeboard and Midlands, two of the regional electricity companies, refused to say what their pay rises had been.

Unlike Midlands, which also reported yesterday, Seeboard has yet to announce any involvement in an independent generation, although it said yesterday it was looking closely at a number of projects.

Contracting and retailing were both in profit, contributing most of Seeboard's £2.9m operating profits outside distribution and supply.

Keen to develop the retail side, in April Seeboard announced store-within-store deals with Habitat and with Homebase, the DIY arm of J Sainsbury. It has also recently reached agreement with PowerGen to send mail order catalogues to the generator's employees.

● COMMENT

Seeboard does not look as if it will be the Rec to set the world on fire. Then again, as the water companies have found out, being the one that does something different from the pack may not be the best way to investors' hearts. In any case, the profile of the company's customer base augurs well for the future. The high proportion of commercial and domestic customers gives it stability, and there is the Channel Tunnel factor. It is already feeling some benefit and enjoys the promise of substantial, though unquantifiable benefits, when it starts operating. The company should make £90-£100m pre-tax this year. Assuming a net dividend of about 16.5p, the prospective yield on yesterday's share price, which rose on these results, is about 6.7 per cent.

Midlands beats forecast with £110m

MIDLANDS Electricity, which serves the western part of the region, yesterday announced pre-tax profits of £110m, 19.4 per cent higher than forecast at its flotation last autumn.

The recommended dividend is in line with the prospectus at 10.5p. Pro forma earnings per share were 16.4p.

Mr Bryan Townsend, chairman, said units distributed rose 2.5 per cent or, taking out the effects of weather, about 1.3 per cent.

He said this demonstrated the "robustness" of the company's region, which included the newer growth areas of the West Midlands as well as old manufacturing conurbations.

He added that the company had recently seen "signs of a small beginning of an upturn of economic activity" in some parts, while overall sales growth was being maintained at last year's level.

Profits were struck after taking £26m worth of provisions. Like other regional electricity companies, Midlands provided for potential extra costs for equalisation of pensions between the sexes and a number of other "welfare" items. Another feature was £3m for bad debts.

Higher than expected unit sales and lower electricity purchase costs contributed about equally to the profits improvement over the forecast.

Capital expenditure came out at £91m against £110m forecast.

Mr Townsend said he saw maintaining and improving the distribution network as the company's main priority. After seeing some 13 per cent of customers affected by last December's storms, Midlands had carried out a review to improve the network.

However, the company is also investing in independent generation, chiefly via its 19.2 per cent stake in the new ICI-Enron power station on Teesside, now being built. That is expected to cost £40m in two years' time.

Bryan Townsend: priority is to improve network

Other projects include a tie-up with STEAG, the German power company, to market energy from waste and also intends to market small scale combined heat and power plants.

● COMMENT

The City does not seem to have worked out whether it thinks Midlands is a sheep or a goat among the Recs.

One feature is that Mr Townsend calls it "an energy company" and it is certainly keen on getting involved in schemes outside the regulated business. Then again, it is virtually unique among the Recs in having already gained experience, albeit on a small scale, in operating plant through its combined heat and power facilities at Fort Dunlop and Hereford.

A peculiarity of the company is that it has still, this year, to pass on to customers a large proportion of the shortfall on allowable supply revenues which was built into the prospectus forecast.

That does not really matter in business terms, but uncertainly about how much it will get back complicates forecasting profits.

The range is roughly £120m to £140m pre-tax. If it increases the dividend to 16.5p, the prospective yield is about 6.5 per cent.

Spurs slides £2.14m into the red at half-time

By Jane Fuller

MR ALAN Sugar, who heads the consumer electronics group Amstrad, donned his Tottenham Hotspur shirt yesterday and presented his first set of figures as chairman of the company that runs the north London football club.

Mr Sugar and Mr Terry Venables, team manager turned chief executive, have taken effective control of Tottenham by buying 36 per cent of the shares. Stock exchange rules have forced them to extend the 75p per share offer to other shareholders, valuing the company at £7.6m, but they are urging people not to accept.

The figures released yesterday to coincide with publication of the offer document displayed some own goals scored under previous management, such as £1.19m (£952,000) interest costs, deficits in clothing subsidiaries and over £1m exceptional professional costs to help sort out the problems.

In the six months to November 30, Tottenham incurred a pre-tax loss of £2.14m, compared with a profit of £1.04m. The 1989 figures, however, included £3.27m profits from player sales.

Mr Sugar said the full-year figures would probably also show a loss, although some ground had been recovered since the first half, which includes the football close season. Higher attendances and the FA Cup win had increased football profits.

At the operating level the loss was cut to £490,000 (£1.28m) on turnover of £8.9m (£15.5m). Losses were made at Martex and Hummel (UK) which had been closed at an extraordinary cost of £944,000.

Mr Sugar and Mr Venables have a further £4.8m available after buying the 36 per cent stake. The bulk of this is aimed at a rights issue, which could raise about £7m. Asset sales might include the transfer of Paul Gascoigne, the injured international player.

The rights issue would entail the relisting of Tottenham's shares, suspended at 91p since October.

Losses per share were 21.2p (earnings 9.2p). There is no interim dividend.

Richmond may sell methane interests to fund expansion

By David Owen

RICHMOND OIL & Gas, the US natural resources exploration group, is planning to sell at least part of its coal bed methane interests in the San Juan basin.

The move is intended to provide finance for an acquisition and additional development drilling at Richmond Ranch.

The group is in negotiations to acquire "substantial additional acreage" at Richmond Ranch with a view to "expanding significantly its production reserve base in the area."

It is also contemplating a refinancing based on the whole of the Richmond Ranch interests.

Richmond revealed these intentions yesterday in response to a further 7p decline in its share price to 26p. The shares have tumbled from 173p in the space of a year.

The company also said that it was confident of satisfying its short term cash requirements in advance of the proposed acquisition and refinancing "in the near future." These requirements have been "aggravated" by low gas prices.

In January, the group reported increased pre-tax losses of £1.02m for the six months to September 30. A month later, it acquired Lone Star Royalty of Texas for 600,000 ordinary shares.

Changes in executive duties at Laird Group

By David Owen

A SHIFT in executive responsibilities at Laird Group, the car parts, building products and packaging company, will see Mr John Gardiner, chairman and chief executive, concentrating more exclusively on strategic issues.

Under the changes, Mr Ian Arnott - currently finance director - becomes managing director, while Mr Charles Barton, responsible for implementing Laird's acquisition and disposal policy for the past seven years, moves to finance director.

According to Mr Gardiner: "Ian Arnott will be what in American terms will be our chief operating officer." The changes are "all to do with running a business more effectively as it develops," he said.

Approximately 80 per cent of the group's business is now transacted abroad in France, Germany, Spain and the US. In 1990, it made pre-tax profits of £38.88m on turnover of £488m.

National Home Loans shares fall by 23p

By David Barchard

SHARES IN National Home Loans, the mortgage specialist and consumer financial services group, fell sharply on the London stock market yesterday, closing the day at 88p, down 23p.

Mr Kevin Milner, chief executive, said that there had been only light trading in the shares with about 200,000 changing hands.

The news came just 24 hours after the group announced job cuts and a restructuring intended to stem losses from some of its consumer finance subsidiaries.

"I believe that some analysts have reduced their profit forecasts today, but I believe they have over-reacted." Mr Milner said.

Asked about a possible dividend cut at the end of the financial year, Mr Milner said: "We paid an interim and that should indicate to the market what our view about the dividend policy is. We have not changed our position."

Wintrust declines

Wintrust, the merchant bank, announced pre-tax profits down from £5.42m to £4.01m in the year to March 31. The total dividend is lifted from 8.7p to 9.3p with a final of 6.3p, up from 5.9p.

Over the last year the company had reduced its loan book from some £110m to £71m.

Eurocamp undersubscribed

By Maggie Urry

THE OFFER for sale of shares in Eurocamp, the camping holiday specialist, has been undersubscribed.

Only 5.25m – 85.2 per cent of the 6.16m shares available – had been applied for when the lists closed yesterday. All applications will, therefore, be met in full.

Mr Christopher Fisher of Lazard Brothers, the company's merchant bank, said that the placing of 6.66m shares with institutional investors, begun last week, had found good demand with applications scaled down.

He said the shares left from the public offer had been taken up by institutions which had subscribed to the placing and were not in the hands of short-term holders.

Mr Fisher said the undersubscription of the public offer was "a bit disappointing". He still hoped, however, that the shares would open at a premium to the 225p offer price, although probably a small one, when dealings start on July 10.

Analysts said the issue terms were rather tight, although they considered Eurocamp a sound company.

But the image of holiday companies has suffered from the well-publicised collapse earlier this year of International Leisure Group.

At the issue price, Eurocamp would have a market value of £58.9m.

Pre-tax profits for the year to October 31 this year are forecast at £8m (£5.7m) giving a p/e at 225p of 10.8. The indicated dividend would give a yield on the shares of 5 per cent.

LEGAL NOTICES

1991 FOLIO NO. 1058
IN THE HIGH COURT OF JUSTICE
QUEEN'S BENCH DIVISION
ADMIRALTY COURT
SHIPS:-
"BEN NEVIS" & "BLANKENESE"

NOTICE

NOTICE IS HEREBY GIVEN to all persons with claims against Gelsel Compania Maritima S.A., the Owners of the ship "BEN NEVIS" in respect of the collision between the "BEN NEVIS" and the "BLANKENESE" which occurred on 29th October, 1989 that in the Admiralty Action in the High Court of Justice 1991 Folio No. 1058 between Gelsel Compania Maritima S.A., Plaintiffs and Lilienthaler Schiffahrts - GmbH & Co. KG and others, Defendants, a Decree was made on 21st June, 1991 limiting the liability of the Plaintiffs for property damage arising out of above collision to £575,244.99 allowing until the 21st day of September, 1991 for the filing of claims or the taking out of Summonses to set this Decree aside.

Messrs Ince & Co., of Knollys House, 11 Byward Street, London EC3R 5EN, Solicitors for the Plaintiffs.

DIAMETER STOCKBROKERS LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above named company will be held at 20 Farringdon Street, London EC4A 4PP on Friday, 5th day of July 1991 at 3.30 o'clock in the afternoon, for the purposes mentioned in Section 99, 100 and 101 of the said Act.

Statements of claim, and proxy forms if applicable must be lodged at the above address not later than 12 noon on the 4th day of July 1991.

A list of the names and addresses of the company's creditors may be inspected, free of charge, at 20 Farringdon Street, London EC4A 4PP on 3rd and 4th July 1991.

Dated this 27th day of June 1991

By order of the board.

R.J. Coke-Smyth.Secretary.

MARSTON SCAFFOLD SUPPLIES LIMITED

Registered number: 01504988
Trading Name: Marston Installations
Nature of business. Scaffold Suppliers and Pipework Installers
Trade classification: 23
Date of appointment of joint administrative receivers: 26 June 1991
Name of person appointing the joint administrative receivers: Lloyds Bank PLC
IAN NAPIER CARRUTHERS and DAVID ROBERT WILTON
Joint Administrative Receivers
(Office holder nos 814 and 292) of Cork Gully, 43 Temple Row, Birmingham B2 5JT

B C DEERE LIMITED

Registered number 891814
Trading name: Principality Stationers
Nature of business: Stationery manufacturers
Date of appointment of joint administrative receivers: 12 June 1991
Name of person appointing the administrative receivers: Midland Bank Plc
JOSEPH PATRICK CONSIDINE and RICHARD ANTHONY SMART
Joint Administrative Receivers
(Office holder nos 058 and 286) of Cork Gully
Churchill House
Churchill Way
Cardiff CF1 4XQ

DIAMETER PLC

NOTICE IS HEREBY GIVEN, pursuant to Section 98 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at the offices of KPMG Peat Marwick McLintock, 20, Farringdon Street, London EC4A 4PP on Friday the 5th day of July 1991 at 3.30 o'clock in the afternoon, for the purposes mentioned in Section 99, 100 and 101 of the said Act.

Statements of claim, and proxy forms if applicable must be lodged at the above address not later than 12 noon on the 4th day of July 1991.

A list of the names and addresses of the company's creditors may be inspected, free of charge, at 20 Farringdon Street, London EC2A 4PP on 3rd and 4th July 1991.

Dated this 27th day of June 1991.

By order of the board
R.J. Coke Smyth Secretary.

NATIONWIDE LEASING & FINANCE LIMITED

Registered number: 1704584
Nature of business: Arranging Finance for Vehicles
Trade classification: 38
Date of appointment of joint administrative receivers:
28 June 1991
Name of person appointing the joint administrative receivers:
Barclays Bank plc
JOHN FREDERICK POWELL and DAVID JOHN CORNEY
Joint Administrative Receivers
(Office holder nos 249 and 051)
Cork Gully
43 Temple Row
Birmingham
B2 5JT

BELL GROUP (UK) HOLDINGS LIMITED

Notice is hereby given that a meeting of the unsecured creditors of the above company will be held pursuant to section 48(2) of the Insolvency Act 1986 at 20 Farringdon Street, London, EC4A 4PP on 17 July 1991 at 10.00 am for the purpose of receiving the report of the Administrative Receivers and, if thought fit, appointing a creditors' committee. A creditor will be entitled to vote only if a written statement of claim is submitted to me at the above address by 12 noon on 16 July 1991 and if the claim is admitted for voting purposes. Any proxies that are intended to be used must be submitted to me before the meeting. A creditor whose claim is wholly secured is not entitled to attend or be represented at the meeting.

Date 27 June 1991

R H Oldfield, Joint Administrative Receivers

UK COMPANY NEWS

Margins under pressure as Newman Tonks falls 36%

By Paul Cheeseright, Midlands Correspondent

NEWMAN TONKS, Europe's biggest supplier of door, window and electrical fittings to the building industry, emerged from "a very difficult trading period" with a 36 per cent drop in interim profits.

The outcome for the six months to April 30 was £7.31m pre-tax, against £11.4m in the comparable first half. Earnings per share slid from 8.13p to 4.55p. The interim dividend is maintained at 3.8p.

Generally, the Birmingham-based group has suffered from a downturn in demand in the UK and the US, but this was offset to some extent by a stronger performance in continental Europe, especially from Normbau, the German subsidiary making reinforced nylon hardware. Margins were under continual pressure.

However, Mr Douglas Rogers, chairman, said that "despite the recession to which as yet we can see no end, the group is a stronger business, both geographically and in product, than it was at the start of the year."

Over the last six months, the group raised investment spending by 25 per cent to £5.6m and made provision for an increase in bad debts above the line. At the same time it has sought to contain costs.

Mr Geoff Gahan, chief executive, said that there had been 450 redundancies in the UK and US, out of a workforce of 5,000. Although this cutback had cost £400,000 in redundancy payments, the payroll had been cut by £3m.

Acquisitions pushed gearing up from almost nil at the year-end to a current level of 25 per cent. Mr Gahan said that Newman Tonks would continue its policy of acquiring new businesses which fitted into its core activities and divesting those which did not.

The effect of this policy over the last six months has been an extraordinary gain of £1.25m arising from a net surplus on businesses sold or discontinued minus the costs and taxation associated with potential acquisitions.

● COMMENT

Short of economic catastrophe, Newman Tonks will do better in the second half than it did in the first. Not only does it habitually draw in more revenue in the May-October period, but there are signs of a small increase in volumes in the US, while trading conditions in the UK have stabilised. Continental Europe is trading at a lower level than last year, but, compared with the US and UK, remains strong. This makes the company broker's pre-tax forecast of £17m for the full year look comfortable. That would translate into earnings per share of 10.8, or slightly higher if, as expected, tax charges go down. On a prospective p/e of 13.7, the shares are not cheap but they are backed by a high and secure yield of over 8 per cent. The stock is not for the impatient; it will be 1992 before the benefits of investment and acquisition come through.

Southern Business holds profit

By David Owen

SOUTHERN BUSINESS Group, the photocopier and vending machine contractor which recently graduated to the official list, reported a marginal increase, from £6.32m to £6.47m, in interim pre-tax profits as it encountered difficult market conditions.

Turnover for the six months to March 31 rose to £24.9m (£20.8m). Earnings per share on a full tax charge also edged up, to 4.53p (4.37p).

The expected actual tax rate for the current year was 26 per cent. Earnings per share in 1989-90, as originally reported, came to 6.05p.

Mr David McErlain, managing director, projected that the underlying market would remain "much as it is at the moment" for 2-3 years and said the group was seeing "nil growth in copy volumes."

In a bid to encourage customers to use their machines more, it had installed discount meters for large batches of copies permitting cost savings of 50 per cent. The company had also enjoyed some success with colour copiers, selling 184 units in seven months.

At the end of the period forward contracted income amounted to £297m payable over an average six years.

According to Mr McErlain, this gave Southern "assured income of £50m a year." The company confirmed, however, that amounts pertaining to certain recently dissolved contracts with disgruntled customers would be "netted off" against the forward contracted income total.

Net debt came to just under £5m for gearing of 11 per cent. The company was "generating £750,000 a month of net cash," according to Mr Roger Limpenny, finance director.

The company recently negotiated a £12m revolving term loan over seven years with Midland Bank and a £3m overdraft facility.

It said an active programme of acquisitions and organic growth was planned.

There is an interim dividend of 1.03p – up 10 per cent. The shares fell 3p to 62p.

Campbell & Armstrong shares fall after loss

CAMPBELL & Armstrong, the Manchester-based specialist shop and office fitting group, yesterday announced a turnround from pre-tax profits of £3.01m to losses of £344,242 for the year to March 31 1990. The shares – which stood at 140p a year ago – closed 10p lower at 59p yesterday. Shareholders are having their dividend cut from 5p to 2p.

The loss was struck after an increase of over £1m in administrative costs to £8m. Net interest charges were up from £98,036 to £438,476 and there was an exceptional £301,112 charge arising from the administrative receivership of the Lewis's store group.

Mr Ray Chambers, chairman, said the decision to diversify over the past few years had cushioned the group against a more serious downturn.

The balance sheet was strong and gearing "comfortable", but there was no immediate prospect of any upturn in demand, he said.

Turnover fell from £74m to £60.4m. The final dividend is 1p (3.35p).

There was an extraordinary debit of £1.39m relating to the closure of two businesses and listing costs.

Bank of Scotland

Bank of Scotland has received acceptances in respect of 91 per cent of its offer for shares in the Bank of Wales which it did not previously own. This raises its holding from 77.5 per cent to 97.8 per cent. The remainder will be acquired compulsorily.

In May, Bank of Scotland offered 70p per share, valuing the minority at £5.5m.

Excessive input creates overload

Alan Cane on the strains being felt by personal computer dealers

DESTRUCTIVE PRESSURES are building up within the UK personal computer distribution and dealer channels. They are straining the resources of virtually every player and are likely to result in an increase in the number of companies going out of business.

The attrition rate is already high, especially among PC dealers whose only function is to sell PCs on to customers without adding value in terms of specialised software or additional services.

Ms Yvonne Stannard of Romtec, the marketing consultancy, says the total UK population of distributors, dealers and "value-added resellers" is approximately 3,600; the number of resellers and dealers that Romtec knows to have gone out of business in the past year is about 500.

Mr Hugh Gibbs, personal computer specialist with the International Data Corporation, said: "Any dealer whose profit margin is based on the discount available from hardware manufacturers is dead."

The financial results of Northamber, one of Europe's largest distributors, make the point clearly. Last July, it reported the first decline in its annual profits since it was founded in 1980. In December it reported that first-half profits had fallen from £2.15m to £219,000 in 1990. Revenues fell from £54.22m to £42.43m.

Mr Gibbs says that even among value-added resellers, companies which develop software for their customers or provide other services such as maintenance and training, the decline in numbers due to failures, mergers and acquisitions has risen from 12-15 per cent to 20 per cent annually.

Mr David Southworth, group managing director of P&P, the microcomputer services company, reinforced his point starkly: "We are going to go through a holocaust. The distribution and dealer channels are going bankrupt."

There are three main causes:

● The recession has brought about a substantial decline in PC sales. The market has become saturated and sales are becoming harder to make. Customers have become increasingly discerning in computer purchases.

● Computer manufacturers are fighting for market share "at any cost", according to one distributor, and so effectively working against their distributors and dealers. The result has been to squeeze prices and profit margins sharply.

International Business Machines, the world's largest personal computer manufacturer, is blamed by a number of distributors and dealers for the hiatus. One said: "There is nobody in a position of authority in IBM who understands the third-party channel."

IBM itself has marketing problems and is losing market share both to traditional competitors such as Compaq, the market leader in high performance PCs, and manufacturers of IBM look-alike machines, chiefly based in the Far East.

Manufacturers, for their part, argue that discounting among fiercely competitive dealers are a main cause of the squeezing of margins.

● The cost of hardware continues to fall as improved technology cuts costs. Mr Southworth of P&P said: "This year alone, prices have fallen by some 25-40 per cent; so businesses have had to do 25-40 per cent better just to stand still."

Customers are increasingly buying on price and abandoning brand loyalty. They have begun to realise there is little difference in performance or reliability between an IBM computer bought from a dealer or a Dell computer bought through mail order.

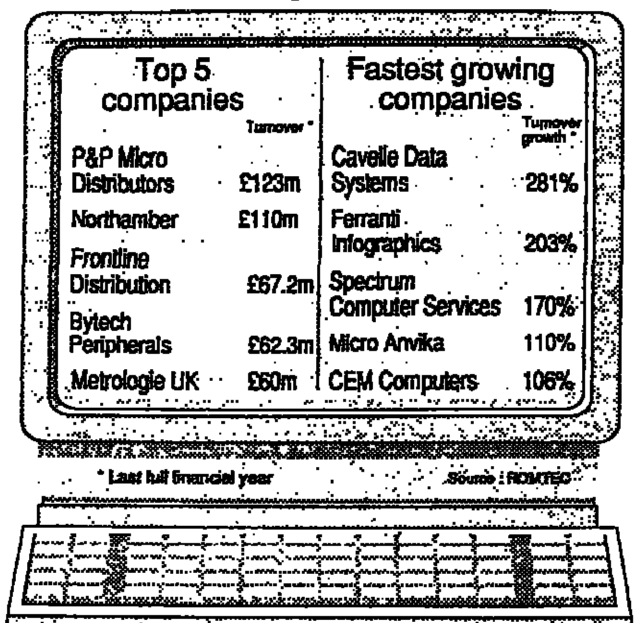
The use of "third-party channels" to act as a conduit between computer manufacturers and customers is an important element of the "new" computer industry which has emerged as a result of the PC revolution. The gross margin on a personal computer may be as low as 25-30 per cent, compared with 70 per cent or more for a large computer system.

Tiny gross margins are insufficient to support either direct salesforces or the services and support which customers traditionally associate with a computer sale. That is now the responsibility of the distributors and the dealers. In the UK, for example, IBM now distributes all its PCs through third-party channels.

P&P remains healthily profitable with sales of £223.8m last year and pre-tax profits of £13.1m, an 18 per cent increase. It was helped by a £26.7m rights issue last year and a move away from simple computer distribution towards value-added activities. Among these were the devolution of the company into five operating businesses, including corporate systems, which services the needs of blue-chip customers, and an organisation supplying third-party products for Apple computers to the Apple dealer channel.

Mr Southworth accepts that P&P cannot escape the consequences of the bloodbath in UK PC distribution, but he, and Sir Roland Smith, P&P chairman, believe the company is now well positioned for the future. "Next year will be absolutely diabolical, but by 1992 it will be clear where the technology is going. If there was price stability, we would do very well."

Personal computer distributors



NEWS DIGEST

Graig Shipping slips to £1m

A WRITE-DOWN in the value of its oil assets, shown as an exceptional £641,000, contributed to a drop in taxable profits at Graig Shipping from £3.42m to £1.01m in the year to March 31.

Turnover for the company, which is mainly involved in the bulk cargo trade, rose to £37.8m (£36.7m) but trading profits fell from £3.4m to £1.57m. Other factors behind the profits fall, it said, were the weak dollar, the rise in bunker prices and increased costs of repairs and maintenance.

Since the year-end, however, Graig has agreed the sale of one of its ships for an amount in excess of its book value. In addition, the strength of the dollar against sterling and the improvement in the freight market should help the 1991-92 results, the company said.

Directors recommended an unchanged final dividend of 3p for a reduced total of 4p (8.5p including special anniversary dividend of 3.5p). Earnings fell from 22.1p to 7.2p.

Partridge Fine Arts down at £738,000

The lack of overseas visitors hit Partridge Fine Arts, the dealer in antique furniture and objets d'art.

Turnover in the six months to April 30 fell from £7.81m to £4.41m, pre-tax profit from £2.83m to £738,000, and earnings per share from 7.67p to 2.16p. Consequently, the interim dividend is halved to 1p.

Mr John Partridge, chairman, said the conflict in the Middle East led to a significant reduction in the number of American and other visitors to the UK. Operating margins fell from 31.2 to 15.5 per cent.

Baker Harris moves ahead to £958,000

Baker Harris Saunders Group, the international property adviser, bucked the sector trend by reporting improved profits for the year ended April 30, but is cutting the dividend.

Turnover was £7.59m, against £7.56m; pre-tax profit rose from £874,000 to £958,000, and earnings from 4p to 4.4p.

In 1989-90 the company paid a total dividend of 4.5p which was short-earned by £72,000. This time the proposed final dividend is 1.5p for a total of 2.5p and is covered 1.76 times.

Mr Richard Saunders, chairman, said trading was extremely difficult but costs were kept under control. While UK turnover decreased by 9.3 per cent, profit rose 5.7 per cent as a result of £700,000 of annual cost savings.

In January the company acquired the CPC business of New York and merged it with the existing operation there.

CPC advises occupiers of property on their strategic property needs and acts for national accounts across the US.

Reorganisation hits Feedback

Reduced trading and £177,000 exceptional reorganisation costs dragged down pre-tax profits at Feedback to £58,000 in the year ended March 31.

The USM-quoted group, which is involved in computer peripheral, telecommunication, technical education and electronic test equipment, suffered from the export ban on Iraqi business, reduced levels of UK capital expenditure and tight US state budgets.

Earnings per share were down to 0.17p, from 2.86p previously achieved on pre-tax profits of £446,000. Following the omission of the interim dividend, the year's payment is 0.5p, against 1.75p.

Operating profit came to £329,000 (£547,000), generated on turnover of £9.61m (£9.26m).

Hays expands in Scotland

Hays, the business services group, has acquired Rutland Exchange, a business mail service, for £8.9m cash.

The acquisition has been made through Britdoc, a Hays subsidiary which operates a nationwide overnight business mail service through some 1,500 document exchanges across the UK.

The acquisition will add a further 105 document exchanges located throughout Scotland.

In the year to end-December, Rutland generated pre-tax profits of £818,000.

Marginal fall in net assets at SPRAIT

Net asset value per ordinary share of Save & Prosper Return of Assets Investment Trust stood at 273p at the year ended May 30, a marginal decline from 275.2p at the 1990 year end.

Net revenue advanced from £2.96m to £3.28m. Basic earnings per share came out at 11.36p (9.97p) and 9.49p (8.18p) fully diluted. The total dividend for the year was increased by 17.9 per cent to 7.37p (6.25p).

Hollas declines sharply to £74,000

In spite of "very difficult trading conditions" and an exceptional charge of £559,000, relating to remedial action taken at its Hawkshead offshoot, Hollas Group managed to stay in the black in the year to March 31.

The textile and leisurewear company reported pre-tax profits of just £74,000, having made £2.63m in the corresponding period. The result was struck on turnover down 32 per cent to £39.3m (£57.6m).

Below the line there was a charge of £510,000 (£181,000), leaving a loss of £696,000 (profit £1.53m) for the year. Losses per share were 0.4p (earnings 3.8p) and the proposed final dividend is a reduced 0.6p (1.6p) for a 1.2p (3.2p) total.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Baker Harris ....fin	1.5	Oct 1	2.25	2.5	4.5
C'bell/Armstrong....fin	1	Aug 30	3.35	2	5
Feedback § ....fin	0.5	Aug 12	1	0.5	1.75
Fleming Inl High....fin	1.705	Sept 12	1.65	3.5675	2.35
Graig Shipping ....fin	3	Sept 6	3	4	8.5‡
Hollas ....fin	0.6	Oct 1	1.6	1.2	3.2
Midlands Elect ....fin	10.5	-	-	10.5	-
Newman Tonks ....int	3.8	Aug 15	3.8	-	9.3
Partridge Arts ....int	1	Sept 5	2	-	3.85
Seeboard ....fin	10.36	Oct 9	-	10.36	-
South'n Business....int	1.03†	Aug 15	0.94	-	2.56
Tott'ham Hotspur ....int	nil	-	1	-	1
Wintrust ....fin	6.3	Sept 30	5.9	9.3	8.7

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. ‡Includes special anniversary dividend of 3.5p.

BOARD MEETINGS

TODAY

Interims- Dewhurst, Securicor, Securiguard, Security Services.

Finals- Boscombe Prop, Brown & Tawse, Burtonwood Brewery, Druck, Gold Greenlees Trott, Ivory & Sime, MS Intl, Markheath Securities, Northern Electric, Scottish Hydro-Electric, Stirling, Umeco.

FUTURE DATES

Interims-

Guardian Royal Exchange	Aug. 28
Lasmo	July 24
Leslie Wise	July 10
M & G Dual Trust	July 10
Nestor-BNA	Sep. 4
Park Foods	July 11
Rank Organisation	July 11
TI	Aug. 1

Finals-

Bogod	July 9
Bullough	July 29
Harris (Phillip)	July 10
JS Pathology	July 5
Kingsgrange	July 5
Peel Holdings	July 18
Scottish & Merc Inv Trust	Aug. 6
Third Mile Invs	July 29
Tops Estates	July 10

MANAGEMENT: Marketing and Advertising

What price the CD revolution?

Michael Skapinker and **John Thornhill** ask whether manufacturers are racking up too high a margin

Music company executives are a garrulous lot. But there is one subject guaranteed to render many of them shy, retiring and unobtainable – the price of compact discs.

Virgin Records, part of the publicity-hungry Richard Branson empire, decided this was an issue it would prefer not to discuss. Alain Levy, president of PolyGram and a vigorous supporter in private of the price of compact discs, also refused to be interviewed.

There is no single price for compact discs in the UK. Some are sold at a discount. Full-price CDs sold for an average of £11.49 last year. The public thinks that is too expensive, concedes Mark Kingston, spokesman for the International Federation of the Phonographic Industry (IFPI), which represents recorded music companies worldwide. The Office of Fair Trading is examining the price of CDs and has widened its inquiries to examine vinyl records and cassette tapes too.

But, according to Kingston, the argument that CDs are over-priced is "biased and a cheap shot". The music business is risky, he says. "There are over 100 new releases in the UK alone each week. Ninety of those are going to make a loss. It's a chancy game and you've got to have some insurance. People have got to recognise that the music industry has the right to make a profit."

Compact discs are expensive to produce, Kingston says. The manufacturing cost, about £1, is a small part of that expense. There is also the cost of finding good musicians, recording their work, paying them royalties, paying royalties to the composer, designing the CD packaging, distributing the discs, promoting and marketing them.

The Consumers' Association, publishers of Which? magazine, points out, however, that similar costs go into the making of vinyl records, which sell for about £4 less. The record companies are still smarting from the Consumers' Association's examination of CD prices in a Which? article last year entitled "Compact Disc Rip-Off".

The British Phonographic Industry (BPI), the IFPI's UK arm, complained to the Press Council about the article. The complaint was rejected. The Council said that the BPI had failed to persuade it that the Which? article contained significant inaccuracies.

The Consumers' Association points out that the price of CDs has increased slightly in nominal terms since they were introduced in 1983 with a retail price of £10. The prices of other new electronic products, by contrast, have fallen sharply. CD players, which cost more than £500 in the mid-1980s, sell for £100 or less today.

Since their introduction, the cost of manufacturing a compact disc has halved from £2 to £1, the Consumers' Association says. It now costs little more to manufacture a CD than an LP.

While CD manufacturing costs have fallen, the volume of sales has exploded. After a slow start in the mid-1980s, worldwide CD unit sales hit 600m in 1989, compared with 450m vinyl records. The IFPI is still collating last year's sales, but the BPI says that CDs outsold long-playing records by more than two-to-one in the UK in 1990. The 50.9m CDs sold in the UK last year represented a 22.1 per cent increase on 1989.

Far from believing that they should cut prices as sales volumes increase, the music industry believes the CD boom is a powerful argument in favour of the present pricing policy. If consumers feel they are being cheated, why are they buying ever-increasing numbers of CDs?

Some of the record companies' critics argue that consumers have no choice. Vinyl records are increasingly difficult to find. Having invested in a CD player, consumers then have to build up a new compact disc collection to replace their old records.

The music companies disagree. Although vinyl has virtually disappeared in the US and Japan, the companies say they will continue to sell LPs in the UK for as long as significant numbers of customers want them.

The record companies say the profit they make on LPs is small. This, they say, is the reason CDs are more expensive. "I don't know anyone who makes money out of LPs," says Stuart Garman, company secretary of Nimbus Records, one of the few managers in the industry prepared to discuss CD prices. "LPs haven't been making money for a long time. They have been used as loss leaders."

Rupert Perry, UK managing director of EMI Records, another executive prepared to speak out, says that companies are entitled to charge more for CDs because they are a higher quality product. CDs are smaller, easier to handle, don't have to be turned over, and produce a higher quality sound. "The CD is a more consumer-friendly product," Perry says.

It is unfair to compare the price of CDs over the past eight years with the price of the CD players, Perry argues. "CD hardware was expensive initially because of the costs of developing the technology. Once they had got the technology up and running, they could start to lower the prices. All your marketing is based around one piece of hardware," he says. "Each CD, on the other hand, has its own cost." Every new CD title has to be marketed separately. "With the CD, you don't get the efficiencies which enable you continually to reduce your marketing costs," he says.

Retailers and record companies see little prospect of CD prices falling. "The price pressure is up rather than down. The margins retailers make on CDs are not high," says Richard Handover, managing director of retailers Our Price.

The music companies say they have little room to cut wholesale prices. Kingston says royalties, distribution, design and manufacturing, together with a contribution to overheads, means it cost them an average £6.34 to produce a CD last year. Our Price says the wholesale price for CDs is between £4.29 and £7.89.

Record company officials say that when record companies have tried to reduce CD prices, retailers have not passed the price cuts on to consumers. Retailers say it is unlikely that reductions in the retail price would lead to a substantial increase in the volume of CDs sold. "I have never seen any evidence yet that long-term price discounting increases volumes," says Handover.

EMI's Perry concurs that "music is not necessarily price-sensitive. I could put three CDs in front of you and say 'this one's going to cost you £5, this one £10 and this one £15'. Which one do you want? You'll say 'I don't know? What's on the CD?'"

There appears little incentive for the record companies to begin a price war. The Consumers' Association argues that the record companies are, in any event, monopoly suppliers. Artists record for a particular label. The company with which they have a contract is the only one that can sell their music. There is little competition between music companies.

"That's a nonsense," says Jeremy Silver, spokesman for the BPI. "That's looking at the record industry as if it were selling margarine or baked beans." The record business is no different from the book industry, he says. Publishers have the rights to particular authors in the same way as record companies control the work of artists.

Despite the record industry's protestations, the retail price of CDs has dropped in the US, where they sell for about $12 each. Garman argues, however, that the US is a different market. Transport costs are cheaper. Record companies only have to produce the literature that accompanies CDs in one language, unlike in Europe. The final difference he cites is a revealing one: "The market in the US won't pay any more."

Consumers in the UK continue to pay the price asked. While they do so, there is little incentive for either record companies or retailers to lower their prices.

Tracksuits v pinstripes

Alice Rawsthorn on the ascendancy of sportswear

THE sportswear craze – for tracksuits, trainers, and ball-caps – may have sprung from the back streets of inner US cities, but is now part and parcel of the British wardrobe.

Sportswear was the only bright spot in the dull UK clothing market last year. A report from the TMS Partnership, a market research company, shows that sportswear sales rocketed by 47 per cent to £1.1bn in 1990, while overall clothing sales rose by just 7 per cent to £18.5bn.

TMS expects the clothing market to experience another sluggish year in 1991, but believes sales recover from 1992 onwards, albeit not to the same high levels of the late-1980s.

In the second half of the 1980s the clothing market grew by around 10 per cent a year. But the market slowed down in 1990. This was partly caused by the recession and partly by the instability of the retail sector, where many of the leading players are burdened by debt and financial difficulties after over-ambitious expansion.

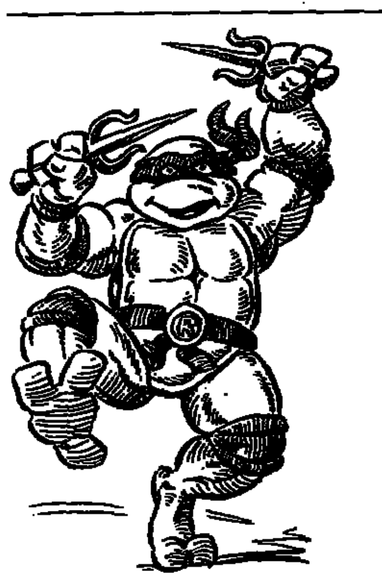
At the same time competition from imports has intensified. TMS estimates that clothing imports rose by 10 per cent last year, taking sales away from domestic companies.

All these trends have put tremendous pressure on prices. The cost of clothing rose by about 4 per cent in 1990, well below retail price inflation. Meanwhile both retailers and manufacturers faced sharp increases in their own operating costs, squeezing margins.

TMS expects another lacklustre year for the clothing market in 1991 with real growth of around 3 per cent to £19.1bn. The market will then confront the changes in its customer base – the fewer numbers in the 15 to 34 age group which currently account for 43 per cent of UK clothing sales.

As for sportswear, it is unlikely to see the same heady levels of growth this year as in 1990. However, sales should increase by about 20 per cent this year; so Britain's high streets will still be a sea of trainers and tracksuits.

British Clothing Market Overview 1991, published by TMS Partnership, Oxford House, 182 Upper Richmond Road, London SW15 2SH. £350.



Turtles set out to surface in Japan

Raymond Snoddy charts the Heroes' most difficult assignment yet

Pizza-eating Teenage Mutant Ninja (Hero) Turtles have taken the US and the UK by storm. They're the best-selling toy in Spain, heading for the top in France and pre-eminence in Germany may be only six months away.

Now the Turtles are taking on their most difficult assignment – trying to infiltrate their last big market – Japan.

The turtle figures – more than 60 of them – have become the cult toy of recent years; Playmates International of Hong Kong, the company which markets them and claims to be the most profitable toy company in the world, last year made pre-tax profits of $213m.

But until now, the Turtles have not been seen in Japan. They were thought too Western a phenomenon to succeed with Japanese children.

Now that may be about to change. NKH, the Japanese public service broadcaster, will begin showing the Turtle television shows early next year.

Where the characters appear on television, sales of the Turtle toy are seldom far behind.

"We like character merchandising. It's what we do well," says Richard Sallis, senior vice-president of Playmates Toys, who is responsible for marketing and sales around the world.

The link with television is central to the company's marketing strategy. Children get to know about the characters through the television programmes and advertising of the model figures follows.

"You must advertise. Screening the programmes is not enough. You have to tell the kids what's available," says Sallis.

The Turtles will be distributed in Japan by Bandai, the large Japanese toy company.

"It will be a serious assault on that market. I would be very surprised if it does not work," Sallis adds.

He first spotted the Ninja Turtles in 1988 in a rather dreary black and white strip in a comic book. He-men dolls were becoming *passé* and he was looking for something new and a little off-beat.

"I was knocked out by the Turtles. They made me laugh and everyone who looked at them had a very strong response," Sallis remembers.

The rights were bought for $100,000, plus royalties, which in the "action figure" toy industry usually run at about 5 per cent.

In 1988 Turtle sales to retailers in the US totalled $23m. By 1990 the beasts had captured two thirds of the $1bn-a-year US action figure market.

Playmates, a marketing and design company whose products are manufactured by associated companies in Macau, Hong Kong and China, believes the release of a second Turtles feature film and the move into new geographical markets will keep the sales graph rising.

But just in case there is a decline in the Turtles' popularity, the company looks at as many as 1,000 ideas a year for the one or two that might have universal appeal; and it has chosen new characters to develop.

Last year Playmates launched the Barnyard Commandoes animal figures in the US in the wake of a TV cartoon series that achieved top viewing figures in its time slot throughout the US.

Last month came the Toxic Crusaders, "hideously deformed creatures of superhuman size and strength" which will be supported by 13 syndicated television shows and a $5m US television advertising budget.

TECHNOLOGY

Vehicle tags hit the road

Bus companies and fleet operators in Australia are turning to electronic tagging of vehicles and computerised fuel monitoring in a drive to reduce costs and prevent theft.

Fuelscan, developed by AWA Transponders of Adelaide, allows fleet managers to record each vehicle's mileage and fuel consumption. Each vehicle identifies itself to the Fuelscan computer before it refuels.

The computer can identify vehicles in a number of ways. It can be manual, with the driver inserting a key or "credit card" into a console at the fuel pump. Alternatively, vehicles can be tagged electronically so that fuel pumps recognise them automatically.

A vehicle's identification code can tell the computer what type of fuel the vehicle uses, for example. It can also communicate to the pump the capacity of the fuel tank, preventing the driver from filling more than one vehicle.

By recording the vehicle's mileage, the computer highlights excessive fuel use, which may not necessarily be due to theft. In Adelaide the bus company found that some vehicles gave better mileage when driving in the hills while others were better on flat ground.

AWA Transponder has also developed an automatic identification system, called Transi-Tag, that works through an electronic tagging system.

Each vehicle carries a small radio transmitter which sends signals to an aerial buried under the road. The signal identifies each vehicle and the transmitter collects information from the tachometer and other instruments.

When a bus, for example, pulls up at a fuel pump, the transmitter identifies the vehicle to the Fuelscan computer and reveals how many miles it has travelled.

The pump can then record the mileage information and the fuel intake. With this information, the computer can interrogate each bus as it returns to the depot and, through a roadside display, tell drivers when their vehicles are due for servicing.

Michael Kenward

Dave Madden explains how companies are making the most of information they hold on customers

Shoppers' minds are on the cards

People who have bought black ash furniture, it seems, are 20 times more likely to respond to a fashion promotion than those who have not.

Bizarre. But that is just the sort of improbable correlation revealed to catalogue and store group Littlewoods by its database technology.

Littlewoods keeps a database of every transaction its customers make. The information lives in a Teradata computer, and Littlewoods applies sophisticated statistical techniques – regression analysis, behavioural scoring – to predict its customers' buying habits.

This sort of database analysis on customer information is meat and drink to mail order firms – some are experimenting with neural networks (software that emulates the way humans think) which throw up even less foreseeable patterns.

Bryan Mayoh, director of systems and credit for Littlewoods Home Shopping, says the mail-order business is only now beginning to exploit its information fully, in particular to target specific products to potential customers.

What is more significant perhaps is that conventional retailers, even financial services companies, are at last starting to appreciate the marketing worth of their own customer data – whether collected at a point-of-sale scanner or indirectly through charge or credit cards. They have discovered precision marketing, which will have widespread implications for consumers and suppliers alike.

Imagine, for example, that you bought a garment from Laura Ashley six months ago and paid by storecard. Anytime now you can expect a personalised piece of direct mail suggesting that you buy another.

The promotion, while under the auspices of Laura Ashley, comes from GE-Capital, a General Electric company of the US, and one of the leading retail credit operators.

GE, Yorkshire Bank Retail Services and Barclaycard Visa operate storecards for most of the UK high street. As well as funding credit, handling transactions and managing accounts, these companies now add value to their processing.

GE collects data in three key areas: demographic information from credit application forms; shopping records – transaction values, frequency, even department codes; and payment data. The information sits in a relational database (Computer Corporation of America's Model 204) on an IBM mainframe. It drives direct marketing – anything from discrete messages on statements to promotions – on behalf of GE's retailer clients.

This gives Burton Group, for example, which sold its storecard operation to GE last year, a powerful group-wide marketing tool. GE can encourage individual Debenhams cardholders to a Harvey Nichols sale, for example.

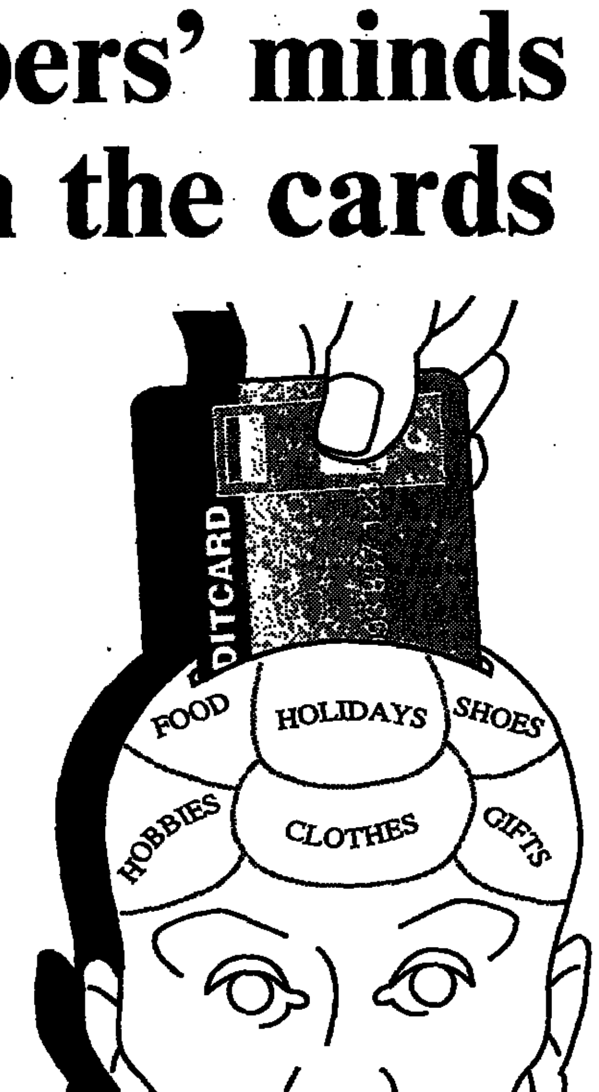
"We believe the ultimate art form will be the market segment of one. We'll talk to every discrete customer in his or her own life-style terms. That is the way we are heading – and there are certainly no technological barriers," says Roger Hymas, GE executive director.

Credit card operators are beginning to exploit their data reservoirs, too. Barclaycard Visa sells aggregated purchasing information to retailers. Tesco uses the service to analyse new store sites.

But Visa points out that it does not divulge individual purchasing profiles, or compile and sell name-lists, though it intends to feed profiles into the Barclays' group customer information system when it becomes operational next year.

Similarly, all storecard-operators stress that they do not facilitate cross-fertilisation – only Laura Ashley can have access to Laura Ashley customer data.

Elizabeth Stanton, director of the Retail Credit Group, a trade association of retail finance companies, argues that contractual obligations, commercial realities and the Data Protection Act militate against any general broking of individual information – though all the group's members do share credit reference particulars.



In the US, supermarkets have long sold their sales data to the likes of AC Nielsen and Information Resources, two market research companies. The data have been the primary source of market intelligence and market share information for manufacturers of fast-moving consumer goods.

This in itself represents a big database management exercise. Information Resources tracks a sample of 70,000 households across the US which use transaction cards. It monitors products in more than 400 categories in 3,000 stores. Now it has developed expert systems to let retailers and their suppliers tap into the information on its database.

Richard Pawson of the consultants Butler Cox argues that not only is the demand to capture information at the point of sale growing significantly, but "techniques to extract meaning from it" are maturing too.

Last November, Asda, the supermarket chain, launched a venture with a company called Trader Marketing Data which buys Asda scanning information, strips it of its profit data, and offers it to suppliers of fast-moving consumer goods.

Because it is collected and issued every week, manufacturers use the service to test market new products, pricing and displays.

John Tavernor, Asda's divisional marketing controller and a director of the Trader Marketing Data, says the service lets Asda get closer to its suppliers. Traditionally relations between retailers, and in particular food manufacturers, have been strained. The retailer is king, observes Mark Foster, senior manager at Andersen Consulting, and some stores will use their evolving point-of-sale technology to reinforce that status. Information will still be used as a negotiating weapon, dictating price and promotion.

Point-of-sale information is, however, only transaction data. It is anonymous. At which point point-of-sale and profile data come together with payment cards as the missing link. "Put the card and the point-of sale information together – and start playing that back to the customer. That is where the big gains will come," Foster says.

But while the logic of that is compelling there are obstacles. Applying precision marketing techniques to supermarkets – whether through frequent shopper schemes, incentives, or even the "intelligent" shopping trolley – threatens an established internal balance of power, says Pawson. Purchasing dictates what products to sell, where and at what price.

Marketing, a poor cousin, was concerned with getting people through the door. But customer-oriented selling, where information on individual customers will ultimately drive what is in the store, will reverse that.

Also, says Pawson, UK retailers are angst-ridden over whether to treat customers as individuals or not. "Some believe that customers value their anonymity and that precision marketing could prove a Pandora's box."

Marks and Spencer executive Simon Orebi Gann is cautious on the matter. "It is perfectly possible to deal with customers directly, to employ precision targeting – but you have to be incredibly careful not to alienate people," he explains.

"This reveals a general principle about applying technology. First you must define what a customer sees as service – and that is not always obvious. Then you must use the technology to support it."

Ultimately, the trick will be to make customer information work for the customer – and for it be seen to do so. And if that is the case then retailers have hardly scratched the surface.

Database shoots with precision

By Della Bradshaw

Marketing databases can reveal more than what you have sold and what your loyal customer will buy next. They can also provide invaluable information in designing new products in order to win customers.

Such is the logic being pursued by Eagle Star Direct, the direct sales arm of the Eagle Star insurance group.

The company sells motor and house contents insurance. As David Hartley, database manager for direct marketing, points out: "At the end of the day, a motor insurance policy is a motor insurance policy." But by differentiating between elements of a single policy Hartley believes the company can develop products which appeal to different sectors.

A strand of a general motor insurance policy can be extracted which appeals specifically to the over-50s, or of a home contents plan which can be tailored for owners of flats. The same product could even be packaged in such a way that the covering photograph on the brochure reflects the age, sex and job type of the person most likely to buy it. Gone are the days when the nuclear family – two adults, two children – beamed out from the cover of every insurance brochure.

To enable the company to get to know its customers in this way Eagle Star has set up a database in conjunction with the Computing Group, of Crawley. The application forms for policies have been designed to ensure that they draw in the information required by Eagle Star so that it can build up a picture of each individual policy holder. These include age, sex and postcode – Eagle Star analyses all the postcodes using software called Mosaic in order to get some idea of the socio-economic background of its policy holders. Central to the process has been to give each policy holder a reference number which remains constant regardless of the number of policies he or she has.

Also fed into the database is feedback from advertising campaigns in the press and on television. "One interesting thing after advertising in the tabloids is to use the database to analyse which people respond," explains Hartley. "We have a profile of people who respond by phone, by coupons, who respond to national newspapers or to door drops."

With the cost of mailing out information packs at round 50p each, selective targeting of information on the latest policy can save thousands of pounds. "It is all aimed at tuning targeting more tightly. A lot of my work is to do away with the blunderbuss approach and replace it with the sniper's bullet," says Hartley.

Held on the IBM AS/400 machine are about 900,000 records – including prospective clients as well as policy holders. Once a potential client phones up for a quote their information is recorded and saved for use the following year. When their policy comes up for renewal Eagle Star can offer a quotation.

In a similar way the database helps Eagle Star to hold on to customers. By analysing the client information the insurance company has built up a profile of the type of customer who is likely to allow his or her policy to lapse. By phoning them some six weeks before the policy ends, Hartley reckons the company has been able to reduce the lapse rates.

As well as helping design products, companies are also using the Computing Group software as a way of analysing why product launches failed, says Judi Gehicken, managing director of the company. She relates the story of an insurance company (not Eagle Star) which launched a policy that, according to the market research it had conducted, should have appealed to customers in their 50s, and so was targeted towards these potential clients.

When the policy proved less than effective, the company fed all the information about their new customers into the database, and analysed who they were. They found that it was young married couples who had found the policy really appealing. By re-launching the product to this new market segment the company was able to chalk up another success.

COMMODITIES AND AGRICULTURE

LME acts to head off nickel problems

Kenneth Gooding, Mining Correspondent

THE LONDON Metal Exchange acted last night to head off potential problems in its nickel market.

It asked members to report on their commitments to buy and sell nickel for themselves and clients as far ahead as three months from today.

Mr David King, the exchange's chief executive, said this did not imply that his executive would automatically follow up by imposing limitations on nickel trading.

However, the LME was worried about possible problems in the nickel market in the next two or three months and the information provided by members "will enable us to better understand the situation and spot any potential problems."

The exchange acted after nickel prices last night moved to their highest level for eight weeks and the premium to borrow (buy spot metal and sell forward) metal against August delivery widened to $130 a tonne compared with $95 yesterday.

The backwardation, or premium for cash metal compared with three-month nickel, went out to $120 a tonne at one stage against $55 on Tuesday.

Mr King said the executive had been keeping a close watch on nickel for two months as the exchange's stocks gradually fell to about 4,100 tonnes. Stocks had been much lower in the past – about 2,000 tonnes – but at present there were also uncertainties about nickel shipments from the Soviet Union.

"We don't envisage any significant problems in the nickel market in the next few days but there might be in the next few weeks. We want to keep on top of the situation," said Mr King.

The Soviet Union is an important supplier of nickel to the west, providing more than 80,000 tonnes in each of the past two years. This represents about 12 per cent of the western world's requirements but, because most of the Soviet nickel goes to LME traders and warehouses, it is much more important to the exchange.

Mr King made it clear that the exchange wanted to be able to react quickly should political or production problems cut Soviet supplies.

The LME nickel price has been rising strongly in the past few days despite the deep recession in some industrialised countries and a widespread view that the market will show a supply surplus this year. Nickel for immediate delivery rose by $250 a tonne to $8,887.50 on the LME last night and three-months metal was up $185 a tonne to $8,772.50.

Pancontinental abandons hope for uranium project

By Kevin Brown in Sydney

PANCONTINENTAL Mining yesterday announced the sale of its Jabiluka uranium and gold deposit in Australia's Northern Territory to North Broken Hill Peko (North) for A$125m.

The sale ends an eight-year campaign by Pancontinental to persuade the federal Labor government to relax uranium mining restrictions and allow development of the deposit.

Jabiluka has estimated reserves of more than 200,000 tonnes of uranium oxide and 14 tonnes of gold, and has the potential to become one of the world's largest producers of low-cost uranium.

The orebody was discovered by Pancontinental in 1971, but its sale has appeared inevitable recently to reduce debts of about A$230m built up as the company diversified into magnesite and base metal mining.

The company's last hopes that Jabiluka might be developed in the short-term disappeared last week, when Labor's biannual party conference failed to debate moves to relax government policy, which limits uranium production to three named mines.

The named mines are Western Mining Corporation's Olympic Dam in South Australia, the exhausted Nabarlek deposit in the Northern Territory, and Ranger, 15 km (nine miles) from Jabiluka. Ranger is controlled by North through Energy Resources of Australia, a 65 per cent subsidiary.

North intends to develop Jabiluka jointly with Ranger, probably by trucking or piping ore to the existing treatment plant. Such a development would triple the reserves available for milling at Ranger, and allow the company to sign longer term contracts with buyers.

However, officials said development was unlikely for up to seven years, because of the low price of uranium on world markets, caused by the release of stockpiles from eastern Europe.

Any attempt to develop the mine more quickly would risk a confrontation with the government, which is unlikely to change its uranium policy before the next conference in two years' time. However, the Liberal opposition has said it will remove restrictions on uranium mining if it wins the next federal election, which must be held by March 1993.

Mr Peter Wade, North's managing director, said Jabiluka was a long term investment that would "position North as a major force in the world uranium industry".

Mr Lindsay MacAlister, Pancontinental's managing director, said the sale would allow the company to reduce its A$230m debts and concentrate on other projects, particularly the Kunwarara magnesite deposit in Queensland, said to be the world's largest.

"The primary reason for the sale was that it was a non-performing asset held over a considerable period of time, and logic said the development should go through the Ranger mill. It is a historic decision for the company," Mr MacAlister said.

Pancontinental said it would pay A$30m to buy out a 35 per cent stake in Jabiluka held by Texaco, the US oil company. Texaco will receive A$5m due under a 1987 agreement with Pancontinental, leaving the company with net proceeds of around A$90m, compared with a book value of A$19.6m.

It was unclear whether North would retain its 13.8 per cent stake in Pancontinental, which was acquired to encourage discussion of the possible joint development of Jabiluka. Cogema, the French state-owned uranium group, may also seek to sell its 14.9 per cent of Pancontinental following the Jabiluka sale.

Copper mine power supply 'secure'

By Kenneth Gooding

POWER SUPPLIES to Escondida in Chile, the world's third-largest copper mine, were secure, said Mr John Prescott, chief executive of Broken Hill Proprietary, the biggest shareholder, yesterday.

He was responding to suggestions circulating in the industry that output from Escondida, an annual 250,000 tonnes, was at risk because its electricity was supplied by Codelco's Tocopilla power plant, where employees have been on strike since the beginning of this week in sympathy with those at the state-owned group's Chuquicamata copper mine.

Mr Prescott, who is on a vists to London to talk to institutions and analysts, said that he had been assured by the management at Escondida that the mine'sproduction would be maintained.

He was confident, moreover, that Escondida was in a position to continue to supply customers with copper concentrates even in the event of production being stalled temporarily. He pointed out that the mine, which came into production last December, had lost three days output because of damage caused by a freak snow storm last month but had continued to ship out concentrates.

Set-aside plan forecast to cut EC harvest by only 2m tonnes

By Paul Cheeseright, Midlands Correspondent

UP TO a quarter of the farmers in France and the UK may be attracted by the European Commission's latest scheme to take land out of cereal production, in the form of the one-year set-aside programme, according to a study by the Centre for European Agricultural Studies at Wye College. But it suggests only a modest cut in output will result for the community as a whole

This study, sponsored by ICI Agrochemicals, and published to coincide with the Royal Agricultural Show, now open at Stoneleigh, Warwickshire, observes that the one-year programme will appeal to different farmers than the five-year programme, now in its third year after having little impact on production.

CEAS argues that the one-year programme allows a beneficial break in rotation and will largely compensate for lost product. "As a generalisation, it will be more attractive to farms with high variable gross margins both between and within crops," CEAS believes.

If between 20 and 25 per cent farmers in France and the UK take up the scheme up to 4 per cent of the cereal area in the two countries could be set aside from production. But for the European Community as a whole CEAS doubts whether cereal output will decline by more than 2m tonnes.

This figure, apart from being about a fifth of what the Commission apparently would like to achieve from the programme, is a tiny fraction of the total. CEAS is predicting that this year, normal weather conditions permitting, the cereal harvest for the EC, excluding east Germany, will be a record 165.3m tonnes, of which the UK share would be 23m tonnes.

Such a harvest would trigger payment by farmers of the co-responsibility levy. It also points, in the CEAS view, to lower output prices in real terms and to declining gross margins. "Expectations of substantially lower prices would make one-year set aside more attractive," CEAS asserts.

Brazil to offer $3bn planting aid

By Victoria Griffith in Sao Paulo

THE BRAZILIAN government will offer $3bn to farmers to finance the planting of the next harvest in an effort to avoid a repetition of the severe shortages the country suffered this year.

Mr Antonio Cabrera, the agriculture minister, also announced that the government would exact countervailing duties on any subsidised product imported by the private sector. The policy on subsidised food imports by the government has not yet been defined.

"This package will help farmers produce the food Brazil needs so much," said Mr Cabrera.

Brazil is being forced to import about $1bn of grain this year as tight credit and drought have cut crop yields sharply. According to Mr Cabrera, the total debt in the agricultural sector adds up to about $4.2bn.

The credit package is some 20 per cent larger than that offered last year. Priority will be given to traditional products such as coffee, and the credit scheme will include allowances for export finance. About 30 per cent of the package will be reserved for small farmers. Further details of the new agricultural package will be announced by President Fernando Collor de Mello on July 10.

● Key representatives of the Brazilian coffee sector left yesterday for Colombia to discuss the crisis brought about by low international prices. The delegates are there at the invitation of the National Coffee Federation of Colombia.

Time runs short at Western Mining

By Kevin Brown

MR HUGH Morgan, managing director of Western Mining Corporation, plans to address workers at the group's Kambalda nickel mines in Western Australia tomorrow in a last ditch attempt to win agreement to expansion proposals.

WMC, the West's third largest nickel producer, has threatened to quit mining in Western Australia unless workers agree to its proposals. The programme would increase nickel output from the Kambalda mines from 53,000 tonnes to 65,000 tonnes over two years, lead to the refurbishment of a smelter at Kalgoorlie and assure the future of a refinery at Kwinana.

Members of the Australian Workers' Union voted earlier this week to accept seven-day mining – a crucial part of the group's proposals – but under conditions that are not acceptable to WMC.

Mr Stan Carter, WMC's corporate relations manager, said Mr Morgan had decided to address the workers in a last ditch attempt to get them "to see reason".

Mr Carter said that the group would sack workers who refused to move to continuous mining after Friday. The company had previously said that up to 50 workers could lose their jobs.

The group says a package put forward for consideration by the Kambalda workforce was not put to union members by their officials. "We were under the impression that the package would be offered, but that did not happen," said Mr Tim Moran, WMC's Kambalda manager.

WMC is also seeking a number of concessions from the Western Australian state government, including lower electricity charges to the refinery, lower rail freight costs, and relaxation of strict environmental standards.

Fijian sugar crisis sparks mill lay-offs

By Kevin Brown

MORE THAN 1,000 sugar mill workers were laid off in Fiji yesterday, worsening the crisis that has interrupted the country's vital sugar exports. Union officials said hundreds more walked out in sympathy.

The lay offs, announced by the government-run Sugar Corporation, result from a cane cutting boycott by most of Fiji's 23,000 small growers.

The boycott began over the level of payments for the cane crop, but has turned into a protest against the introduction of lengthy prison sentences for industrial disruption.

Most of the farmers belong to the ethnic Indian community, which has been deprived of equal civil rights following the promulgation of a draft constitution reserving some powers for ethnic Fijians by the ethnic Fijian interim government that took power following two coups led by Major Sitiveni Rabuka the army chief.

New Zealand sees beef export opportunity as Big Mac fights the fat

By Dai Hayward in Wellington

IF MACDONALDS, the international burger chain, is successful in its efforts to market a new ultra-low-fat beefburger, New Zealand beef exports to the US could receive a big boost. The New Zealand Meat Board is having technical discussions with MacDonalds and other larger burger chains on the use of beef with a greatly reduced fat content as a burger filling.

The move is prompted by growing concern by the increasing number of diet and health-conscious Americans about the inclusion of cholesterol-rich animal fats in the diet.

MacDonalds aims to produce a burger that is 93 per cent fat-free but with a taste that will still appeal to its customers. The company has a policy of using only domestic beef in its burgers but American feedlot beef has a high fat marbling and content. New Zealand grass-raised beef on the other hand is already 93 per cent fat-free and would meet MacDonalds' requirements. Furthermore, more than half the fat in the muscles of New Zealand cattle is in the more unsaturated form.

New Zealand beef exporters are pinning their hopes on the assumption that, if sales of the new low-fat burger reach the levels hoped for, MacDonalds would not be able to obtain sufficient low-fat beef within the US. And they hope the chain will be persuaded to turn to New Zealand grass-fed beef.

The country provides 7 per cent of world beef exports. Its beef herd this season is expected to be 4.7m head. Production has dropped sharply in the past three years, mainly because of the severe east coast drought in 1989, but there are indications that the decline has now reversed and that herds are building up again.

The country's beef production is now 257,000 tonnes, of which 85 per cent goes to the US and Canada. The next major markets are Japan, which buys about 22,000 tonnes a year, and Taiwan, which takes about 5,000 tonnes, and this region is expected to become even more valuable for New Zealand beef producers in the next five to 10 years. Exports to Taiwan are at present affected by a discriminatory tariff on grass-fed beef.

The opening of the Japanese beef market, despite a 70 per cent tariff on imports, has expanded world beef demand and New Zealand hopes to benefit from this, both by exporting direct to Japan and by expanding exports to the US to replace American-grown beef going to Japan.

Japanese consumption patterns are becoming more westernised and New Zealand is using its "clean, green, lean meat" image to promote sales in Japan and other Asian markets.

The meat board is concerned that the rapidly increasing beef stockpile in the European Community will cause it to break the agreement not to send subsidised beef to five designated Asian markets: Japan, South Korea, Taiwan, Singapore and Malaysia. Collectively these are worth NZ$200m (£70m) a year to New Zealand beef exporters.

Hong Kong, which buys about 3,500 tonnes of New Zealand beef a year, is the only North Asian market that does not have a high tariff on beef imports or control them through a central purchasing body.

Although there are uncertainties about the returns to New Zealand beef producers over the next few seasons because of the growing EC stocks and problems in the US economy, the long term outlook is good, with increasing exports to North Asia and, if a New Zealand beef low-fat burger goes on the menu at MacDonalds, also to the US.

WORLD COMMODITIES PRICES

MARKET REPORT

Gold closed nearly $2 a troy ounce ahead on the London bullion market yesterday, just below stiff resistance in the $370-$372 area. Dealers said the formation of a strong technical base, despite the strength of the dollar, had underpinned gold's rise towards the top of its recent trading range. This has been reinforced by the deteriorating political situation in Yugoslavia. Trading slowed ahead of the US Independence Day holiday and the market lacked impetus from Comex to breach the overhead ceiling. On the London Metal Exchange copper again edged ahead while awaiting fresh developments from Chile. Traders said the firmer copper market and a belief in some quarters that the US economy is bottoming out gave the aluminium market an early boost. A repeat of Tuesday's US buying interest later took the three-month price through the resistance area at around $1,360 a tonne. An improvement in zinc prices was met with hedge selling and profit taking, but chartists said that the close was constructive and they would be looking for a test of $1,100 a tonne for three-month metal in the near future. London's robusta coffee prices retreated further under heavy selling from trade houses.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.75	-0.1
Brent Blend (dated)	$18.45-6.55	-.025
Brent Blend (Aug)	$18.70-6.80	-.075
W.T.I. (1 pm est)	$20.65-0.70z	-0.075
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$240-242	
Gas Oil	$179-180	+1
Heavy Fuel Oil	$85-87	+2
Naphtha	$186-187	-1½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$369.15	+1.5
Silver (per troy oz)♣	444.4c	+2.5
Platinum (per troy oz)	$381.0	+1.0
Palladium (per troy oz)	$87.0	-0.25
Aluminium (free market)	$1330	+10
Copper (US Producer)	107.0c	+1.35
Lead (US Producer)	33c	
Nickel (free market)	411c	+12
Tin (Kuala Lumpur market)	15.46r	-0.01
Tin (New York)	283.50c	
Zinc (US Prime Western)	62c	
Cattle (live weight)†	108.10p	0.72*
Sheep (dead weight)†	132.89p	18.60*
Pigs (live weight)†	69.84p	-7.32*
London daily sugar (raw)	$257.0	+1
London daily sugar (white)	$317.0x	
Tate and Lyle export price	£271.0	+1.5
Barley (English feed)	£110.25z	+.25
Maize (US No. 3 yellow)	£183.0u	
Wheat (US Dark Northern)	£100.0	
Rubber (Aug)♥	55.50p	
Rubber (Sep)♥	56.00p	
Rubber (KL RSS No 1 Aug)	231.0m	
Coconut oil (Philippines)§	$450.0y	+20
Palm Oil (Malaysian)§	$325 u	+2.5
Copra (Philippines)§	$280x	+10
Soyabeans (US)	£158.0	
Cotton "A" Index	81.90c	+0.2
Woollops (64s Super)	387p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Sep/Oct t-Jul/Sep u-Jul x-Jul/Aug y-Aug/Sep z-Aug. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX			($ per tonne)	
Raw	Close	Previous	High/Low	
Aug	227.00	225.60	228.00	224.00
Oct	194.60	189.20	196.00	189.80
Dec	180.20	188.20	183.00	183.00
Mar	185.20	183.20	189.00	183.00
May	187.00	186.20	190.20	187.00
White	Close	Previous	High/Low	
Aug	315.0	310.5	316.0	311.0
Oct	269.0	265.5	269.9	265.0
Mar	262.0	259.5	263.0	260.0
May	262.0	259.5	262.5	

Turnover: Raw 446 (443) lots of 50 tonnes. White 1981 (1049)
Paris- White (FFr per tonne): Aug 1896.24 Oct 1678.61

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Aug	18.74	18.84	18.85	18.65
Sep	18.87	18.98	18.97	18.79
Oct	18.97	19.05	19.08	18.97
Nov	19.00	19.10	19.11	18.88
Dec	19.00	19.10	19.00	
IPE Index	18.79	18.75		

Turnover 20821 (17263)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Jul	175.50	174.50	175.75	174.25
Aug	177.00	176.25	177.25	175.50
Sep	178.25	177.75	178.50	177.25
Oct	180.00	179.75	180.25	179.25
Nov	181.75	181.75	182.00	181.00
Dec	182.50	182.50	182.75	181.50
Jan	179.50	179.50	180.00	179.00
Feb	175.00		175.00	174.75

Turnover 16174 (12402) lots of 100 tonnes

WOOL
With major international wool sales in recess for most of this month there is limited guidance on auction demand for wool. Market activity is also subdued because of the increasing impact of holidays. However, machinery activity is better in spinning and more particularly in combing after the surge in pipe-filling demand which was triggered by resumption of free markets in wool in the major producing countries. Prices have fallen, or at least sagged, from their most recent peaks. It looks as though stockpile disposal in Australia will be cautious but uncertainties persist.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	585	586	584	580
Sep	617	617	623	609
Dec	656	657	661	650
Mar	696	697	700	690
May	718		722	715
Jun	739		740	738
Jul	759		761	755

Turnover: 6904 (4584) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 2 789.63(770.92) 10 day average for Jul 3 781.43 (786.00)

COFFEE – London FOX			£/tonne	
	Close	Previous	High/Low	
Jul	535	544	550	530
Sep	559	589	576	551
Nov	585	594	600	578
Jan	605	614	620	602
Mar	625	635	635	620

Turnover:3548 (4333) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul.2 : Comp. daily 65.71 (65.90). 15 day average 65.37 (65.36)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	108.0	105.9	108.0	105.0

Turnover 83 (134) lots of 40 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Oct	131.50	132.50	131.50
Dec	135.00	136.50	135.00

Turnover 27 (55) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Jul	1610	1636	1645	1610
Aug	1698	1610	1620	1600
Oct	1630	1644	1650	1630
Jan	1635	1650	1655	1645
BFI	1669	1695		

Turnover 317 (341)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Sep	112.75	112.70	112.75	
Nov	115.70	115.70	115.80	115.70
Jan	119.35	119.40	119.40	
Mar	122.65	122.70	122.70	122.60
May	126.95		126.00	
Barley	Close	Previous	High/Low	
Nov	114.65	117.90		
Mar	120.60	120.50		

Turnover: Wheat 60 (70), Barley 0 (90).
Turnover lots of 100 tonnes.

PIGS – London FOX		(Cash Settlement) p/kg		
	Close	Previous	High/Low	
Jul	99.5	100.0	100.0	100.0
Aug	100.0	101.0	101.5	101.0
Oct	103.0		103.0	
Mar	105.1		105.0	

Turnover:209 (38) lots of 3,250 kg

MGMI – London FOX					
	Close	Prev.	High	Low	Vol
Indx	143.08	141.31			
Jul	143.90	143.00	143.90	143.50	105
Sep	144.50	143.80	144.50	143.80	100
Dec	145.00	144.00	145.00	144.30	80

LONDON METAL EXCHANGE	(Prices supplied by Amalgamated Metal Trading)					
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 18,348 lots
Cash	1327-8	1323-5	1327	1326-7		
3 months	1359-60	1355-7	1374-49	1358-9	1370-2	92,714lots
Copper, Grade A (£ per tonne)						Total daily turnover 26,585 lots
Cash	1419-21	1412-3	1430/1423	1424-5		
3 months	1432-3	1426-7	1446/1430	1436-7	1432-3	131,801lots
Lead (£ per tonne)						Total daily turnover 2,285 lots
Cash	344-4.5	343-4	344/343.5	344-4.5		
3 months	349-50	349-50	350/349	349.5-50	350-1	18,420lots
Nickel ($ per tonne)						Total daily turnover 5,454 lots
Cash	8875-900	8825-50	8840	8830-40		
3 months	8770-5	8675-800	8780/8600	8725-30	8780-90	13,036lots
Tin ($ per tonne)						Total daily turnover 706 lots
Cash	5885-90	5850-60	5870/5875	5870-75		
3 months	5775-7	5740-43	5785/5750	5760-70	5775-80	7,682lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 4,750 lots
Cash	1069-70	1068-70	1072	1071-2		
3 months	1083-4	1079-80	1090/1083	1083.5-4	1088-9	28,020lots

LME Closing £/$ rate: SPOT: 1.6020 3 months: 1.5921 6 months: 1.5687 9 months: 1.5548

LONDON BULLION MARKET
(Prices supplied by N.M.Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	368.90-369.40	
Opening	367.40-367.80	
Morning fix	367.75	229.60
Afternoon fix	369.25	228.921
Day's high	369.80-370.20	
Day's low	367.30-367.70	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	5.41	6 months	5.31
2 months	5.39	12 months	5.30
3 months	5.34		

Silver fix	p/fine oz	US cts equiv
Spot	275.95	442.75
3 months	283.60	449.45
6 months	290.85	456.95
12 months	304.85	472.30

GOLD COINS
(Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	369.25-370.25	228.00-229.50
Maple leaf	377.25-378.25	233.75-234.25
New Sovereign	89.00-90.00	55.25-55.75

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Sep	Dec	Sep	Dec
1250	116	153	11	22
1250	50	89	44	55
1450	16	46	109	110
Copper (Grade A)	**Calls**		**Puts**	
2200	113	124	32	78
2300	57	78	75	132
2450	24	46	141	197
Coffee	**Sep**	**Nov**	**Sep**	**Nov**
500	80		2	
550	23	51	15	12
600	6	25	48	42
Cocoa	**Sep**	**Dec**	**Sep**	**Dec**
550	70		3	
575	49		7	
600	32	73	15	17
Brent Crude	**Aug**	**Sep**	**Aug**	**Sep**
1850		78	11	34
1900	19	50		100
1950		31		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Jul	370.2	367.9	369.7	369.7
Aug	371.6	369.4	372.3	370.3
Sep	373.3	371.1	372.0	372.0
Oct	375.1	372.8	375.7	373.8
Dec	378.8	376.4	379.4	377.5
Feb	382.1	379.9	382.7	381.5
Apr	385.5	383.4	0	0
Jun	389.0	3388.9	0	0
Aug	392.7	390.6	392.5	392.5

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jul	378.5	379.9	381.5	377.0
Oct	383.1	384.9	386.0	383.0
Jan	387.6	389.4	391.5	388.0
Apr	391.6	393.4	394.5	394.5
Jul	395.6	397.4	0	0
Oct	402.1	403.9	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Jul	448.4	440.8	449.5	443.0
Aug	450.0	442.5	0	0
Sep	453.0	445.5	455.0	446.0
Dec	460.9	453.4	463.0	454.0
Jan	462.9	455.5	0	0
Mar	469.4	462.0	470.0	469.5
May	475.4	467.9	476.0	474.0
Jul	481.3	473.8	0	0
Sep	487.9	480.4	0	0
Dec	498.0	490.5	498.0	493.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	101.65	103.20	103.45	101.60
Aug	101.70	103.45	103.45	101.60
Sep	101.55	103.45	103.65	101.30
Oct	101.00	102.85	102.50	102.50
Nov	100.45	102.20	0	0
Dec	99.90	101.56	101.60	99.60
Jan	99.40	100.90	100.90	100.90
Feb	98.90	100.35	0	0
Mar	98.40	99.75	99.70	99.30
Apr	98.00	99.25	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Aug	20.66	20.82	20.80	20.62
Oct	20.48	20.65	20.60	20.46
Dec	20.42	20.59	20.56	20.42
Feb	20.21	20.38	20.30	20.20
Apr	20.06	20.18	20.06	20.05

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Aug	5605	5648	5665	5575
Sep	5720	5772	5770	5700
Oct	5825	5880	5870	5810
Nov	5935	5980	5975	5915
Dec	6020	6075	6070	6000
Jan	6030	6085	6075	6010
Feb	5910	5965	5955	5905
Apr	5460	5505	5500	5480

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Jul	882	895	895	878
Sep	933	942	943	930
Dec	980	991	989	978
Mar	1025	1035	1033	1025
May	1053	1063	0	0
Jul	1083	1093	1086	1084
Sep	1113	1123	0	0
Dec	1153	1163	0	0
Mar	1193	1203	0	0
May	1220	1230	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	85.00	85.20	86.80	84.50
Sep	86.50	86.65	87.35	85.80
Dec	89.80	90.10	90.60	89.15
Mar	93.15	93.30	93.75	92.50
May	95.40	95.70	95.70	95.00
Jul	97.70	97.90	98.00	97.65
Sep	99.65	99.50	0	0
Dec	103.15	103.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Oct	8.61	8.44	8.71	8.46
Mar	8.41	8.30	8.47	8.30
May	8.44	8.36	8.50	8.42
Jul	8.50	8.48	8.60	8.50
Oct	8.58	8.60	8.60	8.60

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Jul	71.18	71.13	72.80	71.00
Oct	73.08	72.65	73.30	72.20
Dec	71.08	70.84	71.15	70.50
Mar	72.20	71.70	72.20	71.70
May	72.90	72.45	72.90	72.50
Jul	73.50	73.00	73.50	73.20
Oct	70.00	69.78	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Jul	117.40	118.75	117.50	115.80
Sep	116.40	116.40	116.60	115.00
Nov	116.40	116.25	116.40	115.00
Jan	116.05	116.00	116.00	115.30
Mar	116.00	116.05	116.20	116.00

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul.3	Jul.2	mnth ago	yr ago
1745.4	1745.4	1733.0	1858.7

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul.2	Jul.1	mnth ago	yr ago
Spot	126.93	126.93	129.22	133.20
Futures	124.23	124.23	126.90	133.39

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Jul	533/2	531/2	533/6	530/6
Aug	533/4	531/6	535/0	531/0
Sep	533/0	532/0	536/0	531/2
Nov	539/0	538/2	541/0	535/0
Jan	549/0	547/2	550/6	545/4
Mar	559/0	557/4	560/6	555/4
May	566/6	566/2	569/0	564/0
Jul	573/4	572/0	576/0	571/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	18.73	18.78	18.84	18.60
Aug	18.75	18.87	18.90	18.67
Sep	18.92	19.04	19.00	18.84
Oct	19.08	19.18	19.18	19.02
Dec	19.35	19.54	19.65	19.33
Jan	19.46	19.66	19.73	19.46
Mar	19.82	19.95	20.00	19.80
May	20.05	20.27	20.25	20.05
Jul	20.31	20.46	20.40	20.25

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Jul	163.4	163.3	163.5	162.0
Aug	164.6	164.1	164.7	163.5
Sep	164.9	164.2	165.4	164.1
Oct	164.7	164.3	165.3	163.6
Dec	165.7	164.5	166.2	164.0
Jan	167.0	165.1	167.5	165.3
Mar	169.0	1167.2	169.0	167.5
May	169.5	167.5	169.5	169.5
Jul	170.5	169.5	0	0

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Jul	234/4	232/6	235/0	231/2
Sep	229/2	229/0	229/4	226/4
Dec	230/0	230/2	231/0	227/2
Mar	238/0	238/0	238/4	235/4
May	243/0	243/4	243/6	241/0
Jul	247/6	248/4	248/0	246/0
Sep	243/4	245/0	243/4	243/0
Dec	243/0	244/0	243/6	243/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Jul	264/6	264/0	268/4	262/4
Sep	273/0	276/2	275/4	271/4
Dec	285/0	287/4	288/0	284/0
Mar	291/4	295/0	294/4	291/0
May	291/2	294/0	293/2	290/4
Jul	286/6	287/0	288/0	286/4

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Aug	72.42	73.07	72.85	72.35
Oct	74.77	75.17	75.05	74.52
Dec	73.55	73.80	73.70	73.32
Feb	74.75	75.02	74.97	74.62
Apr	75.10	75.40	75.37	75.10
Jun	73.25	73.55	73.40	73.00

LIVE HOGS 30,000 lb; cents/lbs				
	Close	Previous	High/Low	
Jul	54.00	53.75	54.10	53.60
Aug	49.02	48.95	49.37	48.95
Oct	43.30	43.10	43.47	43.10
Dec	43.57	43.45	43.75	43.42
Feb	43.60	43.27	43.65	43.35
Apr	41.82	41.65	41.90	41.65
Jun	45.90	45.70	45.90	0

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Jul	46.70	47.70	48.00	46.60
Aug	43.02	43.65	44.10	42.90
Feb	46.35	45.82	46.75	46.15
Mar	46.20	45.40	46.50	45.95
May	46.80	46.10	47.50	46.80
Jul	47.70	47.70	0	0

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LONDON STOCK EXCHANGE

External trends do shares no favours

UNFAVOURABLE trends in both Tokyo and New York unsettled London stocks yesterday, but share prices showed considerable resilience and the market closed only just below its nearest support level.

Trading volume yesterday remained fairly modest but did include a substantial batch of cross deals arranged by broking houses which were believed to indicate a reshuffling of its holdings by a large UK institution. The fund appeared to be moving stock between its various funds, rather than investing or disinvesting in the market overall.

Although weak throughout the session, the final reading showed the FT-SE Index at 2,448.2, down only 12 points after rallying from a 16 point loss at mid-session. Traders were puzzled by the late rally, which contrasted with a slide of 34 Dow points in early trading on Wall Street.

Account Dealing Dates		
*First Dealings:		
June 17	Jul 1	Jul 15
Option Declarations:		
Jun 27	Jul 11	Jul 25
Last Dealings:		
Jun 28	Jun 12	Jul 26
Account Day:		
Jul 8	Jul 22	Aug 5

*New-time dealings may take place from 9.00 am two business days earlier.

With New York closed today for the July 4 holiday and likely to be still lethargic on Friday, London was left to focus on the uncertain outlook for the Tokyo market. There was considerable concern over the renewed setback in the Japanese market overnight, where the 622 point fall took the Nikkei Index perilously close to the 23,000 mark regarded as an important testing level.

The new fall in Tokyo cast uncertainties over the motives behind the Bank of Japan's decision to cut the discount rate last week. "It looks as if they cut rates for all the wrong reasons, just to prop up a stock market which is in danger of unravelling fast," commented a leading trader at a large US securities house. London will be watching Toky closely overnight.

Nor was the mood any brighter on the domestic front. Another rash of profit downgradings on leading British companies prompted marketmakers to mark share prices down again. There were suggestions that a leading London investment bank had turned bearish on the sterling dollar rate, hinting at a level of $1.55 by the year end.

But there was no sign of increased selling pressure, according to dealers, and Seaq-reported turnover slipped to 459m shares from the 462.7m of the previous session.

The agency cross deals which provided most of the day's features involved a large number of relatively modest trades across the full range of the market. The fund manager involved appeared to be moving to balance recovery stocks with overseas earners and high yielding stocks. Among the list of stocks involved were BAT Industries, Fisons, British Petroleum, Cable & Wireless, and TSB.

The market was also alert to a host of speculative stories yesterday. Hints of impending developments sent ICI shares ahead, although there seemed to be no clear agreement on what might happen next; some sources reverted to hinting that the Hanson camp might yet launch an all-out bid, while others predicted restructuring moves by ICI itself.

Wall Street's weakness upset several of the recent favourites among London's dollar-orientated stocks. Glaxo fell as profits were taken following recent strength. Reuters, the electronic business information group, faltered and Rank Organisation and BAT Industries ended a few pence off.

The water stocks continued to respond favourably to the significantly improved performance of the British government in public opinion polls, but there was little sign of improvement among the recession-hit sectors, such as stores and consumer goods stocks.

Thorn hit by Virgin reports

SPECULATION that Thorn EMI might be lining up a purchase in the music publishing business was taken more seriously yesterday and produced a steep fall in Thorn shares. They closed 23 down at 725p with turnover reaching a higher than usual 1.7m. Reports in the music publishing industry suggest that a price of upwards of $1bn had been put on Virgin's music business.

Specialists said the depression in the Thorn EMI shares was triggered by worries that a purchase in the music industry would be of significant size and could involve the company launching a rights issue.

Virgin Music was one company put forward as a potential acquisition, but a number of analysts thought such a deal unlikely. It was pointed out that the Japanese company Fujisankei has a 25 per cent stake in Virgin Music and would probably be unhappy to see control shift to Thorn.

Some analysts took the view that a move by Virgin to sell the remaining 75 per cent of its music business would be bullish for Thorn in that a good sale price would increase valuations for Thorn's existing music businesses.

ICI active

Buying of ICI shares by a US securities house led to a sharp price rise and a rare "backwardation", in which one trader's bid price is briefly higher than another's offer.

Marketmakers said Salomon Brothers bid heavily for the stock after New York opened. A trader from another house quickly marked his price about 25 higher "to stop him taking everyone out at the wrong price". This effectively put an end to the flurry of trading, although the shares continued to firm.

ICI ended at the day's best of 1278p for a rise of 27. Turnover reached 2.5m, the busiest day's trade for a month.

In a busy session for international stocks, BTR fell after a downgrading by its broker Cazenove. The stock was 12 down at one point before ending at 376p, a net 5 off on a turnover of 7.1m shares, the highest for three weeks.

The overnight pause on Wall Street kept US investors away from one of their favourite UK stocks, Glaxo. Sentiment was *also dampened by the prospect of* an analysts' meeting with Swiss drugs group Sandoz, held late yesterday. One of the Sandoz specialities is migraine drugs, an area of treatment in which there are high hopes for a new Glaxo drug Imigran. Glaxo's often-volatile shares retreated 25 to 1244p in modest trade.

Wellcome continued to benefit from the recent stream of positive comment from analysts and gained 8 to 679p. Turnover was boosted by some heavy trades late in the day, which took the recorded volume to 3.3m, the second heaviest day's business this year.

The price of copper rose for the fourth day in succession, underpinning RTZ shares. They firmed 7 to 567p, the highest for three weeks and in the busiest trading since April of 3.4m.

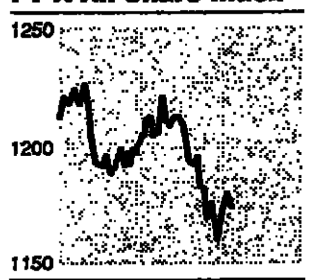
Inchcape, which joined the Footsie index on Monday, bucked the trend to make it four gains in succession since it Yesterday the shares added a penny at 348p to take the increase since Friday to 16.

Water shares continued the recovery put in train after the less than hard hitting review by the Office of Water Services (Ofwat) of the industry's annual profits and dividends.

Analyst Mr Peter Hyde at Kleinwort Benson said it could be argued that the Ofwat report was better than expected, adding that Ofwat's next pronouncement, due in a couple of months, may argue that long-term real dividend growth should be closer to zero than the current 4 to 5 per cent. Mr Hyde said the market had begun to discount this conclusion, "so that on a March 1992 yield of 8.2 per cent we are recommending that brave underweight funds consider moving back in line".

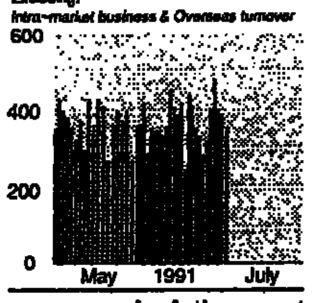
Mr Robert Miller-Bakewell at County NatWest, on the other hand, said that with the sector now ex-dividend and the final 70p a share instalment looming, "it is difficult to anticipate any reversal of the recent weakness".

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Welsh Water, upset in recent sessions by worries that the water regulator might take a hard look at its diversification programme, rallied 7 to 278p. Severn Trent closed 6 higher at 243p. The Water Package jumped 45 more to £2680. Good performances were also forthcoming from North West Water, 6 up at 268p, and South West, 8 higher at 258p.

Electricity issues, although underperforming relative to waters, provided good performers in South West, 8 higher at 195p, and Northern, 6 to the good at 188p. The Electricity Package rose 28 to £1948.

A steep opening decline on Wall Street upset the oil sector, where BP, boosted on Tuesday by good exploration news from the North Sea, relinquished 6 to 328p on 6.6m shares. Shell lost 5 to 521p on 3.9m.

Lasmo dipped 5 to 332p, with turnover of 1.9m stimulated by suggestions that the group may be considering a substantial acquisition.

Burmah Castrol eased 3 to 527p, unsettled by fears that Shell may be targeting the German lubricants market, one of Burmah's strongest areas.

Tate & Lyle moved ahead 6 to 382p after Hoare Govett issued a long-term buy recommendation. The development by Staley, a US subsidiary of Tate, of a fat substitute could bring a substantial long-term increase in profits, the broker said. Hoare believes that by 1995 it will be contributing $50m to group profits.

W.H. Smith "A" put on 3 to 380p after it announced the 90.2 per cent take-up of its rights issue. The 5m shares not taken up were sold in the market at 375p. There were suggestions that Cazenove had sold this block. Kingfisher firmed 3 to 479p following speculation that it was interested in Littlewoods' mail order division. Burton eased ½ to 41¼p on talk that it may have its credit rating downgraded.

Pearson lost ground early in the session amid talk of downgradings from a Japanese securities house. The shares steadied at mid-morning and ended at 679p for a fall of 13. Turnover was a brisk 1.4m shares.

Business training provider D.C. Gardner weakened 5 to 59p after it said that talks with possible bidders for the group had ended. "Approaches relating to the possible acquisition of parts of the group are still under consideration," added the company. When the discussions were announced last month the shares jumped from 46p to 67p.

Poster advertising specialist More O'Ferrall, whose shares have resisted the downward pressure on the rest of the agencies sector, finally succumbed yesterday. The shares fell 14 to 260p, the lowest since mid-April. In mid-session a large block of the stock changed hands at 260p.

Lilleshall, the industrial distributor, fell 7 to 100p after warning that profits in the first half of 1991 will be below those of the same period last year. Securiguard climbed 7 to 89p on optimism about the interim results due today. Wills rose 2 to 14p after announcing that it had reached new agreements with its Australian and New Zealand bankers on trade finance business.

Simon Engineering lost 22 to 308p on speculation that the company was about to be hit by a series of downgrades. County NatWest confirmed that it was scaling back its original profits projection from £38.6m to £32.5m for the year to December 1991. County blamed the continued difficult trading conditions.

Vickers fell 12 to 184p on *above average turnover of 2.1m* shares as S.G. Warburg, the London-based financial house, cut its profits forecast. Warburg now expects profits for the current year to be only around £40m, as against its its previous estimate of £50m.

Tace, the environmental control group already facing a bid from Cambridge Electronics (up 6 at 196p), gained 30 to 258p on news of two further bids, tabled after the market closed on Tuesday. The recommended offer came from Thermal Electron, of Massachussetts, and the rival bid from Stac, a buy-out team led by one of Tace's subsidiaries, STI.

Clothes maker Ritz Design continued to weaken following the departure of its chairman on Tuesday. Yesterday the shares shed 4 to 149p. The company holds its annual meeting today.

National Home Loans, the mortgage and consumer finance group, plunged 23 to 88p as analysts chopped their full year profits forecasts in the wake of the big cost-cutting exercise and the resignation of Mr Ian Muat, the director of consumer finance.

Specialists have lowered their forecasts for the full year to around £14m to £15m – from £22m-plus – and said *there is considerable concern* about the dividend.

■ Other market statistics, including the FT-Actuaries Share Indices and London Traded Options, Page 17.

NEW HIGHS AND LOWS FOR 1991

NEW HIGHS (65). BRITISH FUNDS (5) Treas. 8pc 1991, Treas. 8pc 1992, Treas. 8¼pc 1993, Treas. 8½pc 1994, Treas. 10pc 2001 B, AMERICANS (18) Abbott Labs., Amer. Cyanamid, Amer. T & T, Chrysler, Eaton, FPL, Fluor, Gen. Elect., Honeywell, Lockheed, NYNEX, Pennzoil, Quaker Oats, Rep. NY, Rockwell Intl., CANADIANS (2) Amer. Barrick Res., Echo Bay Mines, BANKS (1) HSBC, CHEMICALS (1) Engelhard, STORES (4) Caskat, Courts, In Shops, Reject Shops, ELECTRICALS (2) Admiral, Sage, ENGINEERING (1) Atlas Copco B, Rotork, Tace, FOODS (3) Dalepak, Farepak, Sutherland, INDUSTRIALS (6) China Light, Colorgen, Esselte, Hutchison Whampoa, Patterson Zochonis, Swire Pacific A, INSURANCE (2) Lloyd Thompson, Unitfin, PAPERS (1) SCA B Free, TRUSTS (4) Exmoor Dual Inc., Jupiter Tarbutt Merlin, Law Deb., Rolinco Sub, OILS (4) Aberdeen Pet., Exxon, Pan Pacific Pet., Victoria Pet., MINES (17) Anglo Amer. Gold, Aztec Expln., Beatrix, Buffels, Driefontein, FS Cons., Gold Fields SA, Hemlo, Kloof, Matane Minerals, Mount Burgess, Northern Platinum, North Broken Hill Peko, OFS Invs., Vaal Reefs, Western Deep, Western Mining.

NEW LOWS (41). BUILDINGS (3) Crest Nicholson, Shorco, Turriff, STORES (1) Austin Reed, ELECTRICALS (1) Telefonica, ENGINEERING (5) Dickie (J), Linread, Ransomes, Tex, Wheway, FOODS (2) ASDA, Carr's Milling, INDUSTRIALS (8) Amber Indl., Dyson (J&J), GR, Melville, Sthn. Business, Stormgard, Tinsley (E), Whitecroft, LEISURE (6) Anglia TV, Kunick, TV-am, Thames TV, Tyne Tees, PAPERS (2) ATA Selection, Filofax, PROPERTY (3) Control Sec., Land Securities, MEPC, TRANSPORT (2) P & O Sub Wrrnts. 1988-92, Seafield, TRUSTS (8) Aberdeen, Malaysian Emrg. Wrrnts., Natl. Home Loans., Do. 7½pc Prf., Parambe, Thornton Pan Euro. Wrrnts., OILS (1) Richmond Oil & Gas, PLANTATIONS (1) Anglo-Eastern, MINES (1) Anglesey.

FINANCIAL TIMES STOCK INDICES

	July 3	July 2	July 1	June 28	June 27	Year Ago	1991 High	1991 Low	Since Compilation High	Since Compilation Low
Government Secs	84.28	83.89	83.89	83.60	83.43	79.34	85.88 (19/2)	82.17 (2/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	93.16	93.04	93.01	92.95	92.81	88.06	94.84 (5/4)	90.59 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share ●	1894.9	1907.2	1898.7	1877.9	1912.0	1881.1	2014.5 (5/4)	1608.3 (16/1)	2014.5 (5/4/91)	49.4 (26/6/40)
Gold Mines	209.8	207.7	203.9	201.0	197.5	183.4	209.8 (3/7)	127.0 (22/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2448.2	2460.2	2443.6	2414.8	2452.5	2355.5	2545.3 (5/4)	2054.8 (16/1)	2545.3 (5/4/91)	986.9 (23/7/84)
FT-SE Eurotrack 200	1133.99	1143.96	1141.98	1136.32	1147.11	-	1192.11 (5/6)	938.62 (16/1)	1192.11 (5/6/91)	938.62 (16/1/91)
●Ord. Div. Yield	4.98	4.96	4.98	5.04	4.96	4.83				
●Earning Yld %(full)	8.76	8.72	8.76	8.86	8.71	10.87				
●P/E Ratio(Net)(☆)	14.05	14.11	14.05	13.88	14.12	11.15				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 11.46

	July 3	July 2	July 1	June 28	June 27	Year Ago
SEAQ Bargns 4.45pm	21,736	22,165	23,450	26,778	25,726	21,517
Equity Turnover(£m)†	-	747.62	799.02	1672.26	1768.15	717.44
Equity Bargains†	-	21,159	25,170	26,126	25,984	22,324
Shares Traded (ml)†	-	354.7	395.0	405.6	476.5	322.4

Ordinary Share Index, Hourly changes — Day's High 1901.8 — Day's Low 1891.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1901.8	1894.7	1899.8	1899.1	1901.5	1900.4	1900.9	1892.9	1893.9

FT-SE 100, Hourly changes — Day's High 2458.3 — Day's Low 2444.2

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2456.0	2448.0	2454.4	2454.4	2456.2	2455.4	2455.3	2445.6	2446.4

FT-SE Eurotrack 200, Hourly changes — Day's High 1140.36 — Day's Low 1132.71

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1137.94	1137.63	1138.72	1140.10	1139.88	1138.61	1133.97

GILT EDGED ACTIVITY

Indices*	July 2	July 1
Gilt Edged Bargains	86.3	84.0
5–Day average	80.2	78.7

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ADT	33	614	-9	Courtaulds	623	412		MB Caradon	745	218	-2	Severn Trent Water	1,400	243	+6
ASDA Group	5,600	94		Dalgety	65	579		MEPC	649	438	-3	Shell Transport	3,900	521	-5
Abbey National	3,600	259	-1	De La Rue	369	404	+13	Manweb	727	226	+2	Slebe	422	492	
Albert Fisher	2,200	116	-2	Dowty	340	208	+1	Marks & Spencer	3,100	247	+2	Slough Ests	174	238	
Allied-Lyons	2,300	522	+2	ECC Group	413	425	+3	Maxwell Comms.	181	201	+1	Smith (W.H.) A	189	380	+3
Amstrad	309	47		Eastern Elect.	832	173	+2	Midland Bank	684	185		Smith & Nephew	4,800	130½	
[illegible]				[illegible]				[illegible]				[illegible]			
Bowater	141	667	+1	Hanson Warrants	378	32¼	-½	Reckitt & Colman	389	573	+1	Thorn EMI	1,700	725	-23
Brit. Aerospace	787	563	-13	Harrisons Crosfield	1,000	137		Redland	818	545	-7	Trafalgar House	1,600	229	-1
British Airways	3,000	161		Hawker Sidd.	636	525	-1	Reed Intl.	1,100	402	-2	Ultramar	3,000	281	-2
British Gas	8,300	247	-2	Hillsdown	2,700	227	+5	Reg. Elect. Pkg Uts	1	£1948	+28	Unigate	255	284	-7
British Land	233	276	-1	IMI	583	228		Rentokil	754	317½	+1½	Unilever	918	763	+7
BP	6,600	328	-5½	ICI	2,600	1277½	+25½	Reuters	506	788	-9	United Biscuits	798	368	
British Steel	9,700	123½	-2	Inchcape	987	348	+1	Rolls Royce	10,000	145½	-4½	Utd. Newspapers	311	345	-1
British Telecom	11,000	362	-8	Kingfisher	1,500	479	+3	Rothmans	746	985	-3	Water Package Uts.	2	£2680	+45
[illegible]	273	80	-1	Ladbroke	8,400	231	-5	Ryl Bk Scotland	1,800	175		Wellcome	3,300	679	+8
Burmah Castrol	1,400	527	-3	Land Securities	1,300	472	-3	Royal Insurance	2,000	415	-4	Welsh Water	407	278	+7
Burton	2,000	41½	-½	Laporte	48	559	-2	Saatchi	646	18⅛	+⅛	Wessex Water	357	300	+7
Cable & Wire.	4,300	542	+5	Legal & General	282	413	+3	Sainsbury	1,200	359	-2	Whitbread 'A'	439	454	+2
Cadbury	1,500	360	+1	Lloyds Abbey	832	395	+6	Scottish & New.	646	389	+5	Williams Hldgs.	904	290	-2
Calor Group	141	225	-1	Lloyds Bank	4,600	529	+3	Scot. Hydro-Elect.	2,600	113	-1	Willis Corroon	928	302	-3
Carlton Comms.	1,200	454	-8	LASMO	1,900	332	-5	Scottish Power	6,500	105	-1½	Wimpey	101	173	+1
Coats Viyella	982	147	+2	London Elect.	1,600	186	+5	Sears	3,200	73		Yorkshire Elect.	888	213	+1½
Comm. Union	1,200	501	+4	Lonrho	2,800	145		Sedgwick	284	265	-2	Yorkshire Water	675	391	
Cookson	2,200	107	-1	Lucas	2,300	138	-4	Seaboard	58	187	+4				

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

EQUITY FUTURES AND OPTIONS TRADING

WEAK global equity markets depressed UK stock index futures yesterday, although light selling pressure created only modest losses in London derivative products.

Equity futures began on a weak note following the sharp fall in the Japanese market. At one stage the September FT-SE 100 index contract was just 20 points above the spot index, against fair value of 32.

The decline continued as Wall Street retreated and at the close September was down 8 points at 2,479. September's premium to the cash index ended at 22 points.

In traded options, dealing levels remained depressed, reflecting slower share market trading.

GEC February 180 calls were sought after following the final results on Tuesday. Rolls-Royce December 140 calls and 140 puts, and Trafalgar House 220 puts were also active.

● In the Extel survey of investment managers there was little change in their ratings of derivative traders.

James Capel maintained its position as having the most highly rated traded options team. UBS Phillips & Drew was second, while Barclays de Zoete Wedd pulled into third place.

In equity futures, UBS extended its lead at the top, James Capel was second and BZW third.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]		10.01	[illegible]
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]		11.00	[illegible]
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.08	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]		12.60	[illegible]
[illegible]	[illegible]	Treas 10pc 1992	[illegible]		10.03	[illegible]
[illegible]	[illegible]	Treas. 8pc 1992 ‡‡	[illegible]		8.14	[illegible]
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]		10.49	[illegible]
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.15	[illegible]
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]		12.01	[illegible]
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]		13.05	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1993	[illegible]	[illegible]	8.49	[illegible]
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.04	[illegible]
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]		12.03	[illegible]
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.43	[illegible]
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.85	[illegible]
[illegible]	[illegible]	Treas. 8½pc 1994	[illegible]	[illegible]	8.88	[illegible]
[illegible]	[illegible]	Treas 14½pc 1994‡‡	[illegible]	[illegible]	13.24	[illegible]
[illegible]	[illegible]	Exch 13½pc 1994	[illegible]	[illegible]	12.57	[illegible]
[illegible]	[illegible]	Treas. 10pc Ln. 1994‡‡	[illegible]	[illegible]	10.08	[illegible]
[illegible]	[illegible]	Exch. 12½pc 1994	[illegible]	[illegible]	11.85	[illegible]
[illegible]	[illegible]	Treas 9pc 1994‡‡	[illegible]	[illegible]	9.35	[illegible]
[illegible]	[illegible]	Treas 12pc 1995	[illegible]	[illegible]	11.46	[illegible]
[illegible]	[illegible]	Exch 3pc Gas 90-95	[illegible]	[illegible]	3.49	[illegible]
[illegible]	[illegible]	Exch. 10¼pc 1995	[illegible]	[illegible]	10.28	[illegible]
[illegible]	[illegible]	Treas 12¾pc 1995‡‡	[illegible]	[illegible]	11.81	[illegible]
[illegible]	[illegible]	Treas. 14pc '96	[illegible]	[illegible]	12.52	[illegible]
[illegible]	[illegible]	Treas. 9pc 1992-96‡‡	[illegible]	[illegible]	9.37	[illegible]
[illegible]	[illegible]	Treas 15¼pc 1996‡‡	[illegible]	[illegible]	13.03	[illegible]
[illegible]	[illegible]	Exch 13¼pc 1996‡‡	[illegible]	[illegible]	12.06	[illegible]

Five to Fifteen Years

1991 High	1991 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
[illegible]	[illegible]	Conversion 10pc 1996	[illegible]	[illegible]	10.15	[illegible]
[illegible]	[illegible]	Do. 10pc 1996 B	[illegible]	[illegible]	10.11	[illegible]
[illegible]	[illegible]	Treas 13¼pc 1997‡‡	[illegible]	[illegible]	11.94	[illegible]
[illegible]	[illegible]	Exch 10½pc 1997	[illegible]	[illegible]	10.49	[illegible]
[illegible]	[illegible]	Treas 8¾pc 1997‡‡	[illegible]	[illegible]	9.45	[illegible]
[illegible]	[illegible]	Exch 15pc 1997	[illegible]	[illegible]	12.59	[illegible]
[illegible]	[illegible]	Exch. 9¾pc 1998	[illegible]	[illegible]	10.07	[illegible]
[illegible]	[illegible]	Treas 6¾pc 1995-98‡‡	[illegible]	[illegible]	7.95	[illegible]
[illegible]	[illegible]	Treas. 15½pc '98‡‡	[illegible]	[illegible]	12.48	[illegible]
[illegible]	[illegible]	Exch. 12pc 1998	[illegible]	[illegible]	11.18	10.49
[illegible]	[illegible]	Treas 9½pc 1999‡‡	[illegible]	[illegible]	9.91	10.26
[illegible]	[illegible]	Exch. 12¼pc 1999	[illegible]	[illegible]	11.26	10.51
[illegible]	[illegible]	Treas. 10½pc 1999	[illegible]	[illegible]	10.47	10.40
[illegible]	[illegible]	Conversion 10¼pc 1999	[illegible]	[illegible]	10.36	10.39
[illegible]	[illegible]	Conversion 9pc 2000‡‡	[illegible]	[illegible]	9.64	10.23
[illegible]	[illegible]	Treas. 13pc 2000	[illegible]	[illegible]	11.45	10.59
[illegible]	[illegible]	Treas 10pc 2001	[illegible]	[illegible]	10.24	10.35
[illegible]	[illegible]	Do. 10pc 2001 B	[illegible]	[illegible]	10.24	10.34
[illegible]	[illegible]	Treas. 14pc '98-01	[illegible]	[illegible]	12.11	10.69

BRITISH FUNDS—Contd

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

1991 High	1991 Low	Stock	Price £	+ or –	(1)	(2)
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	Do. 2½pc '13 (89.2)	[illegible]	[illegible]	4.20	4.36
[illegible]	[illegible]	Do. 2½pc '16 (81.6)	[illegible]	[illegible]	4.18	4.33
[illegible]	[illegible]	Do. 2½pc '20 (83.0)	[illegible]	[illegible]	4.14	4.28
[illegible]	[illegible]	Do. 2½pc '24‡‡ (97.7)	[illegible]	[illegible]	4.09	4.22

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for October 1990: 130.3 and for May 1991: 133.5.

INT. BANK AND O'SEAS

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

1991 High	1991 Low	Stock	Price £	+ or –	Div % Gross	Red. Yield
50	50	Greek 7pc Ass.	50	......	3.50	7.00
50	50	Do. 6pc 28 Stb. Ass.	50	......	3	6.00
50	50	Do 4pc Mixed Ass.	50	......	2	4.00
55	55	Hung. '24 Ass.	55	......	2.75	3.57
128	120	Hydro Quebec 15pc 2011	124	[illegible]	12.89	11.72

Continued on next page

APPOINTMENTS

Managing director of Gates Rubber

■ Mr Brian Corless has been appointed managing director of THE GATES RUBBER COMPANY, Dumfries. He succeeds Mr Alastair Johnston who has retired. Mr Corless was managing director of Gates Australia. He will be in charge of the consumer and industrial products divisions which includes the Hunter Green Wellington, and Tredaire carpet underlay.

■ CHEMETCH (U.K.), South Woodham Ferrers, has appointed Mr Richard Evans as engineering director. He was with Dynapert.

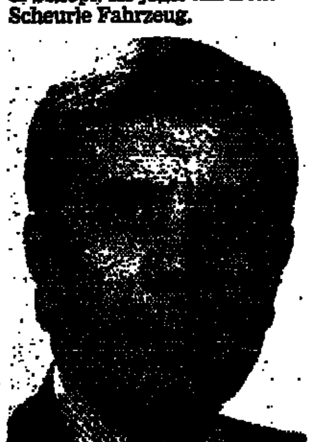
■ OLDACRES COMPUTERS has appointed Mr Nicholas Ayres as managing director.

■ Mr M. Prokopiw, company secretary, has additionally been appointed financial director of TOYE & CO.

■ Mr Nigel Botting has been appointed managing director of ATKINSURE.

■ NORMAN HAY has appointed Dr David Pendlebury as a director, and as managing director of its subsidiary Surface Technology. He was managing director of Caradon Elliott, part of the plastics group of MB Caradon.

■ ML HOLDINGS has appointed Mr Roger Atkinson to the group executive. He is managing director of the group's aircraft and cargo handling division. Mr Wolfgang Loeffler has been appointed managing director of Schopf. He joins ML from Scheurle Fahrzeug.



Mr Tony Moore *(pictured)* has been appointed a managing director of COUNTY NATWEST, and head of origination, banking investment division, from July 8. He was executive director, investment banking, at Goldman Sachs International in London.

■ COUNTY NATWEST VENTURES has appointed Mr Alan Lewis as Midlands and South West regional director. He was Bristol office director. Mr Philip Langston becomes an assistant director in the Bristol office. He joins from 3i.

■ OXLEY THREADS has promoted three managers to directorships: Mr Mike Jones, general manager, to managing director at Werneth Ring Mill; Mr Robert Stewart, national sales manager, to sales director; and Mr David Birch, manufacturing manager, to manufacturing director.

■ The CMI Group, part of CLERICAL MEDICAL INVESTMENT GROUP, has appointed Mr Nigel Gardner as finance director. He was finance director of Clerical Medical Unit Trust Managers.

■ Mr Ian McNeil, a partner in Moores Rowland of Brighton, has been appointed a deputy chairman of the FINANCIAL REPORTING COUNCIL. He is president of the Institute of Chartered Accountants in England and Wales.

■ TOWN & COUNTRY BUILDING SOCIETY has appointed Mr Richard Mills as company secretary, based at Clacton-on-Sea. He was assistant to the company secretary at Racal Electronics.

■ Mr Rudolf G. Mueller has been appointed as executive vice president Europe to the enlarged UNION BANK OF SWITZERLAND group executive board, its highest executive body. The appointment follows the recent UBS restructure, and is in addition to Mr Mueller's current responsibilities as head of all UBS activities in the UK, a post he retains. He became head of group operations in the UK in 1987, and when Union Bank of Switzerland (Securities) and Phillips & Drew merged in 1989 was additionally appointed chairman and chief executive of the new company.

■ CROOKES HEALTHCARE, a Boots subsidiary, has appointed Mr Kevin Wilson as managing director. He was sales and marketing director, and is succeeded by Dr Malcolm Phillips. Mr Edward Young becomes head of finance.

Mr Neil Beckingham *(pictured)* has been appointed finance director for ROYSCOT FACTORS, a Royal Bank of Scotland company. He was chief accountant.

LONDON SHARE SERVICE

● Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 071-925-2128

AMERICANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
33¼	20¾	Abbott Laboratories	33¼	+1⅛	$1.00	–	1.8
385p	257p	Allegheny & W 1c	294p	-7	30c	–	6.0
10⅛	667p	Amdahl 5c	936p	+3	10c	–	0.6
42¼	25¾	Amer. Cyanamid $5	42¼	+⅝	$1.50	–	2.1
17¾	9⅞	Amer. Express 60c	14¼	+⅜	92c	–	3.9
24½	15¼	American T. & T. $1	24⅛	+⅛	$1.32	–	3.2
38¾	32½	Ameritech $1	37¾	-⅛	$3.40	–	5.3
24	12⅞	BankAmerica $1⅛	22⅛	-⅛	$1.20	–	3.2
34½	20¾	Bankers N.Y. $1	31⅜	+⅝	$1.52	–	9.1
30½	24¼	Bell Atlantic $1	29¾	-⅛	$2.52	–	5.0
31¼	25	BellSouth Corp	30⅞	-⅛	$2.76	–	5.4
11¼	6⅞	Bethlehem Steel $8	10⅝	+⅛	40c	–	2.2
1699p	1046p	Bowater Inc	1653p	-26	$1.20	–	4.3
9½	4⅝	Brunswick 75c	8⅞	+⅛	44c	–	2.9
54	37⅝	CPC Intnl. 25c	53⅝	+⅛	$2.00	–	2.2
852p	420p	California Engy	785p	.....	–	–	–
50	28¼	Campbell Soup 15c	46⅛	+⅞	$1.16	–	1.5
12⅝	5⅞	Chase Manhattan $12½	10⅜	+⅜	$1.20	–	6.6
9⅛	5½	Chrysler $6¼	9⅛	+⅛	60c	–	3.9
10⅛	5⅜	Citicorp $1	9⅛	.....	$1.00	–	6.6
25	21⅝	Colgate-Palmolive $1	23¼	+⅜	$1.06	–	2.7
845p	438p	Cont'l Bank Corp $4	725p	+25	$1.00	–	8.1
21⅝	13⅞	Dana Corp $1	20⅞	-⅛	$1.60	–	4.6
1056p	203p	Data General	983p	+11	–	–	–
22	12⅞	Dial Crop. $1.5	21¾	+⅛	$1.40	–	3.8
29¾	20⅛	Dun & Bradstreet $1	29¼	-⅛	$2.16	–	4.4
40	24¼	Eaton Corpn. 50c	40	+1⅛	$2.20	–	–
8⅝	5⅛	Echlin Inc	8⅝	+⅛	70c	–	4.9
19⅞	14⅞	FPL Group 1c	19⅞	+⅛	$2.40	–	7.4
30	17¾	Fluor Corp 62½pc	30	+⅛	32c	–	0.6
23¼	13⅛	Ford Motor $1	22⅞	+⅜	$1.60	–	2.6
46⅞	28⅞	Gen. Elect. 63c	46⅞	+⅜	$2.04	–	2.6
566p	270p	General Host Corp $1	485p	-2	34c	–	4.2
45¼	20¾	Gillette $1	21¾	+½	62c	–	1.7
91p	31p	Gt American Bank $1	33p	-6	–	–	–
18⅛	794p	Hasbro Inc 50c	17½	.....	24c	–	0.8
38¼	21⅜	Honeywell $1½	38⅛	+½	$1.50	–	2.3
22½	17¾	Houston Inds.	22½	.....	$2.96	–	7.8
72⅞	55⅞	IBM Corpn $1¼	61¾	+1⅜	$4.84	–	4.6
32½	18⅞	Ingersoll-Rand $2	32⅛	-⅛	$1.32	–	2.4
27⅞	16⅛	Lockheed Crpn. $1	27⅞	+⅛	$1.80	–	3.9
2155p	1245p	Lowe's 50c	2082p	+45	56c	–	1.6
16⅝	9½	Manuf. Hanover $1	13⅛	+⅛	$3.28	–	14.5
24½	10⅞	Merrill Lynch $1	24½	+⅞	$1.00	–	2.4
33⅞	21⅞	Morgan (JP) $2½	33⅛	+⅞	$1.98	–	3.5
41	25⅞	Morris (Philip)	40⅞	+1⅛	$1.72	–	2.5
46¾	39	NYNEX $1	46¾	+1	$4.56	–	5.8
89p	31p	Pac. Agricultural	34½p	.....	–	–	–
23⅞	11¾	Pall Corp. 25c	23⅞	.....	44c	–	1.1
46	33¼	Pennzoil 83 1/3c	46	+1⅛	$3.00	–	3.9
40⅛	24⅞	Quaker Oats $5	40⅛	+2⅛	$1.56	–	2.3
37⅞	24⅞	Rep NY Corpn $5	37⅞	+⅛	$1.40	–	2.2
17⅝	12⅛	Rockwell Intl. $1	17⅝	+⅛	86c	–	3.1
25⅞	12⅞	Sears, Roebuck 75c	24	+½	$2.00	–	4.9
34⅛	25⅛	Southwestern Bell $1	33⅛	-⅞	$2.84	–	5.0
20⅛	14⅞	Sun Co. Inc. $1	18⅞	+⅞	$1.80	–	5.8
27¼	21¼	Tenneco $5	22⅛	-2⅛	$3.20	–	8.0
40½	29⅞	Texaco $6.25	38⅝	+1⅛	$3.20	–	4.9
26¼	17¼	Texas Instr. $1	21⅝	+⅛	72c	–	2.0
71½	41⅞	Time Warner $1	55⅞	+⅛	$1.00	–	1.1
16¼	8⅝	TRINOVA Corp	16⅛	+⅛	68c	–	2.5
19⅞	14¼	USX $1	19⅞	.....	$1.40	–	4.3
417p	250p	Unilab	417p	.....	–	–	–
28½	22¾	Utd. Technologies	28¼	+⅞	$1.80	–	3.8
74p	42p	Utilitech Inc	74p	.....	–	–	–
23	18¼	US West	22⅝	.....	$2.08	–	5.4
24⅞	16⅝	Waste Management $1	23⅛	.....	44c	–	1.1
2054p	1053p	Whirlpool $1	1981p	-25	$1.10	–	3.3
20⅞	13½	Woolworth $3½	19⅞	+⅛	$1.08	–	3.2

CANADIANS

1991 High	Low	Stock	Price £	+ or -	Div Gross	C'vr	Y'ld Gr's
10⅜p	8½p	Abbot Energy Corp	10⅛p	.....	–	–	–
1433p	953p	Amer. Barrick Res	1433p	+58	8c	–	0.3
19½	13⅞	Bk. Montreal	19	+⅛	$2.12	–	6.0
957p	536p	Bk. Nova Scot.	908p	+12	$1.00	–	5.9
816p	639p	BC Gas $1	816p	.....	60c	–	4.0
23¼	17¼	BCE	23	+⅛	$2.56	–	6.0
10½	647p	Brascan	1004p	-1	$1.04	–	5.6
36p	19½p	Breakwater Res	28p	.....	10c	–	19.2
1717p	1180p	Can. Imp Bank	1666p	+43	$1.32	–	4.3
11	855p	Can. Pacific	10½	+⅛	64c	–	3.3
36	30	Do. 4pc Deb £100	34	.....	04%	–	14.4
[illegible]							

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ENGINEERING

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LONDON SHARE SERVICE

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LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

TRANSPORT—Contd

INVESTMENT TRUSTS

INVESTMENT TRUSTS—Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES—Contd

Tins

Miscellaneous

133	120	Young Group 10p.. β	123		5.2	◆ 5.6

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha refers to shares traded through SEAQ by at least two marketmakers and with a normal market size of 2,000 or more, based on experience of how many of its shares are traded in the typical deal. β Beta refers to all other shares.
γ Gamma refers to other traded instruments.
Highs and lows are based on intra-day mid prices. Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.
Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ◆ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress
- ◆ Not comparable
- ◆ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1990-91. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1991. K Dividend and yield based on prospectus or other official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1991-92. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1.. β	640xd	.....
Finlay Pkg. 5p.... β	27	.....
Holt (Jos) 25p..... β	1975	.....

IRISH

Cap. 8½% Ln. 1991	£99⅞	.....
9pc Cap Ln. 1996..	£97½	.....
Fin. 13% 97/02...	£114¼	.....
Arnotts..............	155	.....
Helton Hldgs........γ	43	.....
IRG......................	128½	.....
United Drug.........	178	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	46
Amstrad	7
Astec (BSR)	6
BAT	60
BOC Grp	31
BTR	33
Barclays	38
Blue Circle	24
Boots	38
Bowaters	53
Brit Aerospace	56
British Steel	12
Brit. Telecom	29
Cadburys	33
Charter Cons	45
Coman Union	44
Courtaulds	32
Eurotunnel	50
FKI	6
FNFC	20
Gen Accident	48
GEC	17
Glaxo	80
Grand Met	42
Guardian	19
GKN	31
Hanson	19
Hawker Sidd	39
ICI	80
Ladbroke	22
Legal & Gen	36
Lex Service	20
Lloyds Bank	38
Lucas Inds	13
Marks & Spencer	21
Midland Bk	18
Nat West Bk	27
P & O Dfd	51
Racal Elect	18
RHM	28
Rank Org Ord	63
Ratners	17
Reed Intnl	36
Sears	8½
SmKl. Beecham A	58
TI	45
TSB	12
Tesco	21
Thorn EMI	64
Trust Houses	23
T&N	15
Unilever	60
Vickers	19
Wellcome	40

Property

Brit Land	30
Control Secs	3
Land Securities	45
MEPC	48
Mountleigh	8½

Oils

Aviva Petlm	3
Brit Petroleum	28
Burmah Castrol	49
Conroy Petlm	10
Gaelic Res	1
Premier	6
Shell	41
Tuskar Res	2
Ultramar	30

Mines

Lonrho	21
RTZ	48

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AUTHORISED UNIT TRUSTS

Maldon Unit Trust Managers Ltd (1400)F

15 St Botolph St, London EC3A 7EE 031 226 6066

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Maldon General	0	112.6	112.6xd	115.81		5.02

Manulife Management Ltd (1200)H

St George's Way, Stevenage Dealings 071-236 5658

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Units	5¼	129.1	130.3	138.6	...	3.98
Gilt & Fxd Int	5	142.6	142.6	150.0	+1.4	8.61
Intl Growth	5¼	151.9	153.4	163.2	-0.7	0.41
North American ♥	5¼	99.17	100.6	107.0	...	0.36
Far East	5¼	123.1	124.2xd	132.1	-1.4	0.35
UK Smaller Cos	5¼	102.6	102.6xd	109.1	...	2.97
European	5¼	53.90	53.90xd	57.33	-0.06	1.11
Japanese Growth	5¼	38.26	38.26	40.99	-0.08	0.00
Managed P'folio	5¼	49.44	49.86xd	53.04	-0.01	1.76
High Income	5¼	143.5	145.4	154.7	+0.5	6.27
High Yielding Gilt	5¼	61.31	61.31	64.62	+0.40	9.33
Cash		51.11	51.11	51.11	+0.01	10.22

Geoffrey Morley Unit Mgrs Ltd (1200)F

3 Bedford Park, Croydon CR0 2AQ 081-686 9818

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Exempt Unit Tst	4	113.43	113.43xd	120.88	-0.07	2.60
Exempt Smllr Cos	3½	222.98	222.98	241.75	-1.48	1.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

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	Bid Price	Offer Price	+ or -	Yield Gross
N & P Life Assurance Ltd				
6-7 Bedford Row, London, WC1R 4UJ 071-430 2348				
Life Managed Fd	105.3	110.9	+0.2	-
Pension Managed Fd	102.4	107.7	+0.3	-
Life Deposit Fd	107.8	113.5	----	-
Pension Deposit Fd	113.2	119.1	----	-
National Financial Management Corp PLC				
72 Gatehouse Rd, Aylesbury, HP19 3XJ 0296 395539				
Life Funds				
Managed Cautionary	106.5	112.2	+0.4	-
Managed Growth	135.4	142.6	+0.3	-
Managed Opportunity	138.1	145.4	+0.5	-
NFMC Target Financial	100.3	105.6	+0.5	-
Pension Funds				
Managed Cautionary	116.9	123.1	+0.3	-
Managed Growth	143.5	151.1	+0.6	-
Managed Opportunity	138.4	145.7	+0.5	-
NFMC Target Mngd Pen	1504.8	1584	-2.2	-
National Mutual Life				
The Priory, Priory Pl, Hitchin, SG5 2DW 0462 422422				
Harvester Pension Funds				
Managed	161.2	169.7	+0.6	-
UK Equity	165.3	174.0	-0.1	-
Overseas Equity	140.8	148.3	+0.3	-
Fixed Interest	144.4	152.1	+2.8	-
Property	127.0	133.7	-1.0	-
Index Linked	146.5	154.3	----	-
Deposit	157.7	166.1	+0.3	-
With Profits (B)	129.4	136.3	+0.3	-

	Bid Price	Offer Price	+ or -	Yield Gross
Prosperity Life Assurance Ltd				
1 Sessions Hse Sq, Maidstone ME14 1XX 0622 690555				
Initial Equity	148.0	156.5	(z)	-
Accum Equity	212.5	224.0	(z)	-
Accum Managed	224.0	236.0	(z)	-
Accum Five Star	171.0	180.5	(z)	-
Accum World	124.0	131.0	(z)	-
Accum Lifetime	108.5	108.3	(z)	-
Pens Acc Equity	227.0	239.5	(z)	-
Pens Acc Managed	278.0	293.0	(z)	-
Pens Acc Intl	217.0	229.0	(z)	-
Pens Acc Deposit	199.5	211.0	(z)	-
Pens Acc Five Star	187.0	197.5	(z)	-
Providence Capital Life Assc. Co Ltd				
2 Bartley Way, Hook, Hants RG27 9XA 0256 768888				
UK Equity Acc	218.8	230.9	+0.6	-
UK Fixed Int Acc	174.2	183.8	+0.9	-
Intl Equities Acc	179.6	189.5	-0.2	-
UK Managed Acc	171.3	180.6	+0.5	-
Property Acc	224.1	236.4	----	-
Money Acc	129.7	136.9	+0.1	-
Special Market Acc	143.2	151.1	-0.3	-
Japan Equity Acc	107.1	113.0	-1.7	-
North American Acc	111.0	117.1	-0.6	-
Pacific Acc	99.1	104.6	-0.3	-
Technology Acc	126.5	133.5	----	-
Nat. Resources Acc	64.4	68.0	+0.4	-
European Acc	100.6	106.2	-0.2	-
Residential Prop Acc	96.2	101.5	----	-
Swiss Equities Acc	35.0	37.0	-0.1	-
Hong Kong Acc	69.2	73.1	+0.6	-
UK High Inc Eq Acc	70.9	74.8	+0.2	-
Int Fixed Interest Acc	57.3	60.5	----	-
Int Managed Acc	57.2	60.3	----	-
HIP Managed Acc	117.1	123.5	+0.9	-
HIP Managed II Acc	99.8	105.2	+0.1	-

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

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CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

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	Bid Price	Offer Price	+ or -	Yield Gross
U.S. Treasury Securities Fund Ltd				
Short Term Shares	$765.87			-
Fixed Income Shares	$888.75			-
Yamaichi Capital Mangmt (Guernsey) Ltd				
Japan Meta Growth	$10.07		-0.22	-
Yamaichi ISS Fund	$7.53		-0.19	-
Yamaichi CB Plus Fund	$7.98		-0.16	-
Thai Inv Fund	$10.30			-
Yamaichi OTC Equity Ld	$9.67		-0.04	-

IRELAND (SIB RECOGNISED)

GAM Fund Management Ltd (u)
29 Kildare Street, Dublin 010 353 1760 630

MI Global Asset Mngmt Co Ltd "MI Trusts"

IRELAND (REGULATED)(**)

Bank of Ireland Unit Managers Ltd

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

John Govett—Contd.

Initial charge may alter for sales in other jurisdictions

Hill Samuel Fund Mgrs (Jsy) Ltd (1000)F
PO Box 63, Bond Street, St. Helier, Jersey 0534 76029

INVESCO MIM International (Jersey) Ltd
PO Box 271, St Helier, Jersey 0534 73114

Lloyds Bank (CI) U/T Mgrs.
PO Box 195, St Helier, Jersey 0534 27561
Dealing daily

Midland Bank Fund Managers (Jersey) Ltd
PO Box 26, St Helier, Jersey

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

Gartmore Indosuez Funds
39 Allee Scheffer L-2520 Lux 010 352 4767492

Wardley Investment Services (Lux) SA (u)

Target International Fountain Fund

Target International Ltd

Templeton Worldwide Investments

LUXEMBOURG (REGULATED)(**)

GT Management Plc

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

Morgan Stanley Japanese Warrant Fund NV

The New Zealand Fund
Manager: Leadenhall Offshore Ltd

Newport International Management

Nomura Warrant Fund 1990 Ltd

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar mixed as yen weakens

THE DOLLAR eased slightly against members of the European exchange rate mechanism *yesterday, but gained* a little ground in terms of the Japanese yen and Swiss franc, ahead of today's Independence Day holiday in the US.

There was an easing of the dollar on news that sales of *new US homes* fell 3.3 per cent in May, after declining a revised 0.2 per cent in April. It had previously been announced that sales rose 1.2 per cent in April and the market was looking for a May rise *of about* 2.3 per cent.

This disappointing news had a limited impact on the dollar however, and after touching a low of DM1.8190 during European trading it climbed back above DM1.8300 at the London *close*.

The dollar eased to DM1.8315 from DM1.8345 and to FFr6.2075 from FFr6.2150, but improved to Y139.50 from Y138.75 and to SFr1.5835 from SFr1.5800. On Bank of England figures the dollar's index declined to *68.5* from 68.6.

ERM currencies were dragged higher by a recovery of the D-Mark, particularly against the yen. The Japanese currency suffered from a sharp overnight fall in Tokyo equity prices, as rumours persisted *about scandals involving some* large Japanese brokerage houses. In London the D-Mark *rose to Y76.15 from Y75.65.*

There were some doubts about the D-Mark's ability to maintain an upward trend however, against the background of escalating violence in Yugoslavia and worries about the *German economy*. The Organisation for Economic Co-operation and Development warned Bonn yesterday against providing too much aid for the depressed eastern part of Germany.

Sterling traded steadily, remaining the third weakest member of the ERM, above the French franc and lowest placed Danish krone. There was no reaction to the comment by Mr Norman Lamont, UK chancellor of the exchequer, that he still expects the UK economy *to recover* in the second half of this year.

The pound rose 30 points to $1.6050, while improving to FFr9.9625 from FFr9.9575; to SFr2.5425 from SFr2.5300; and to Y224.00 from Y222.25. It closed unchanged at DM2.9400. Sterling's index gained 0.2 to 89.5.

The Indian rupee was devalued by *11.8* per cent *against* the dollar yesterday. This brings the total devaluation this week to 18.74 per cent in terms of the dollar, after a 9.29 per cent cut in the rupee's value on Monday. It is seen as a move to boost exports and cut imports during negotiations with the International Monetary Fund for a second large loan this year. India's present foreign exchange reserves are reported to be insufficient to cover one month's imports.

The Reserve Bank of India *quoted a middle rate of Rs25.95* against the dollar, compared with Rs21.09 before the two devaluations. The rate against sterling is Rs41.59 compared with Rs34.36, a devaluation of 17.38 per cent.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu July 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	128.725	-3.67	5.02	63
Italian Lira	1538.24	1528.38	-0.64	1.82	44
Belgian Franc	42.4032	42.2681	-0.32	1.49	17
Dutch Guilder	2.31643	2.31408	-0.10	1.27	7
D-Mark	2.05586	2.05466	-0.06	1.22	7
Irish Punt	0.767417	0.767758	0.04	1.12	-1
Sterling	0.696904	0.698997	0.30	0.86	-6
French Franc	6.89509	6.96197	0.97	0.19	-48
Danish Krone	7.84195	7.93322	1.16	0.00	-50

£ IN NEW YORK

STERLING INDEX

CURRENCY MOVEMENTS

1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Jul 2

CURRENCY RATES

July 3	Bank ♣ rate %	Special * Drawing Rights	European † Currency Unit
Sterling	-	0.813806	0.698997
U.S Dollar	5.50	1.30860	1.12154
Canadian $	8.90	1.49612	1.28058
Austrian Sch	7	16.8548	14.4600
Belgian Franc	7.50	49.2295	42.2681
Danish Krone	9	9.23086	7.93322
D-Mark	6.50	2.39304	2.05466
Dutch Guilder	7.75	2.69532	2.31408
French Franc	10¼	8.09958	6.96197
Italian Lira	11½	1777.06	1528.38
Japanese Yen	6	181.110	156.062
Norway Krone	8	9.31461	8.01229
Spanish Peseta	-	149.743	128.725
Swedish Krona	10.00	N/A	7.42651
Swiss Franc	6.00	2.05319	1.77372
Greek Drach	19	N/A	224.353
Irish Punt	-	N/A	0.767758

♣ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for Jul 2

OTHER CURRENCIES

July 3	£	$
Argentina	15953.8 - 15989.7	9900.00 - 9901.00
Australia	2.1035 - 2.1055	1.3085 - 1.3095
Brazil	508.980 - 509.790	315.750 - 316.050
Finland	6.9725 - 6.9850	4.3350 - 4.3380
Greece	317.250 - 323.550	197.840 - 201.790
Hong Kong	12.4805 - 12.4965	7.7690 - 7.7710
Iran	112.50*	70.00*
Korea(Sth)	1156.35 - 1175.00	724.50 - 730.30
Kuwait	0.47720 - 0.47750	0.29410 - 0.29420
Luxembourg	60.40 - 60.50	37.60 - 37.70
Malaysia	4.4835 - 4.4915	2.7915 - 2.7995
Mexico	4860.20 - 4861.80	3015.00 - 3016.00
N.Zealand	2.8295 - 2.8335	1.7570 - 1.7595
Saudi Ar	5.9740 - 6.0505	3.7500 - 3.7510
Singapore	2.8420 - 2.8485	1.7700 - 1.7720
S.Af (Cm)	4.6680 - 4.6790	2.9055 - 2.9070
S.Af (Fn)	5.2975 - 5.3865	3.2895 - 3.3445
Taiwan	43.75 - 43.80	27.15 - 27.20
U.A.E.	5.8485 - 5.9255	3.6720 - 3.6740

* Selling rate.

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Long term Eurodollars: two years 7⅞-7⅛ per cent; three years 8-7¾ per cent; four years 8⅛-8⅜ per cent; five years 8⅜-8⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

July 3	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C$	B Fr.	ECU
£	1	1.605	2.940	224.0	9.963	2.543	3.310	2185.	1.840	60.45	1.435
$	0.623	1	1.832	139.6	6.207	1.584	2.062	1361	1.146	37.66	0.894
DM	0.340	0.546	1	76.19	3.389	0.865	1.126	743.2	0.626	20.56	0.488
YEN	4.464	7.165	13.13	1000.	44.48	11.35	14.78	9754	8.214	269.9	6.406
F Fr.	1.004	1.611	2.951	224.8	10.	2.552	3.322	2193	1.847	60.67	1.440
S Fr.	0.393	0.631	1.156	88.08	3.918	1	1.302	859.2	0.724	23.77	0.564
H Fl.	0.302	0.485	0.888	67.67	3.010	0.768	1	660.1	0.556	18.26	0.434
Lira	0.458	0.735	1.346	102.5	4.560	1.164	1.515	1000.	0.842	27.67	0.657
C$	0.543	0.872	1.598	121.7	5.415	1.382	1.799	1188	1	32.85	0.780
B Fr.	1.654	2.655	4.864	370.6	16.48	4.207	5.476	3615	3.044	100.	2.374
ECU	0.697	1.118	2.049	156.1	6.943	1.772	2.307	1523	1.282	42.13	1

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

FT-SE EUROTRACK 100 INDEX

	Close	High	Low	Prev.
Sep	1111.0	1130.0	1120.0	1135.5
Dec				

Estimated volume 41 (65)
Previous day's open int. 126 (121)

* Contracts traded on APT after trading hours

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6050	1.5979	1.5851	1.5718	1.5500

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Sep	1.5898	1.5914	1.5878	1.5858
Dec	1.5730	1.5770	1.5730	1.5708
Mar	-	1.5610	-	1.5592

BASE LENDING RATES

MONEY MARKETS

London rates steady

INTEREST RATES held steady in London yesterday and prices of short sterling futures were little changed, amid uncertainty about the timing of bank base rate changes.

Next Thursday's German Bundesbank council meeting and the following day's publication of the June UK retail prices index may provide guidance.

Three-month sterling interbank was unchanged at 11¼-11⅛ per cent, while 12-month money eased to 10⅞-10¾ from 10⅞-10¾ per cent.

UK clearing bank base lending rate
11.5 per cent
from May 24, 1991

September short sterling futures opened slightly firmer on Liffe at 89.54 *and closed at* the same level, compared with 89.53 previously.

The Bank of England initially forecast a day-to-day *credit shortage of £800m on* the cash market, but revised this to £900m at noon and to £950m in the afternoon. Total help of £845m was provided.

Before lunch £185m bills were bought outright, by way of £40m Treasury bills in band 1 at 11⅛ per cent; £105m bank bills in *band 1 at 11⅛ per cent;* and £40m bank bills in band 2 at 11⅛ per cent. In the afternoon another £300m bills were purchased, via £44m *Treasury bills in band 1 at 11⅛* per cent; £164m bank bills in band 1 at 11⅛ per cent; and £92m bank bills in band 2 at 11⅛ per cent. Late assistance of around £360m was also provided.

Bills *maturing in official* hands, repayment of late assistance and a take-up of Treasury bills drained £531m, with exchequer transactions absorbing £100m, a rise in the note circulation £85m and bank *balances below target £100m.*

In Frankfurt call money remained tight at 8.90 per cent, hovering just below the Bundesbank's Lombard emergency financing rate of 9.00 per cent.

Most *of the central bank's* injection of DM2.5bn at this week's securities repurchase agreement tender will be taken up in payment for a Federal *Railway bond and will do little* to ease the present tight conditions.

A total of DM49.0bn was allocated at the tender, via DM38.5bn in 29-day money, mostly at 8.80 per cent and *DM10.5bn of 63-day funds*, mostly at 8.90 per cent. This replaced two expiring facilities totalling DM46.5bn.

Rates at this week's tender were slightly above recent pacts. The Bundesbank *allocated most 28-day funds at* 8.75 per cent last week and most two-month money at 8.80 per cent on June 19.

FT LONDON INTERBANK FIXING

(11.00 a.m. July 3) 3 months US dollars		6 months US Dollars	
bid 6⅛	offer 6¼	bid 6⅜	offer 6½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

LONDON MONEY RATES

MONEY MARKET FUNDS

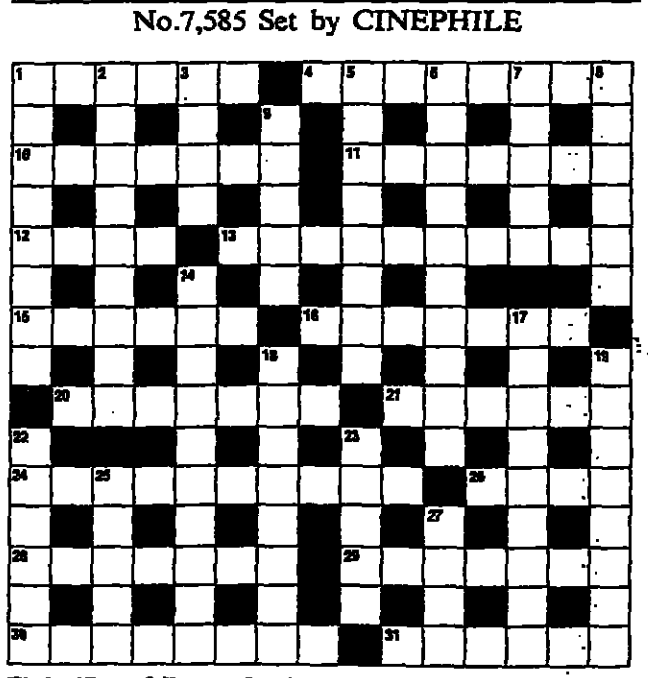
Money Market Trust Funds

Money Market Bank Accounts

JOTTER PAD

CROSSWORD

No.7,585 Set by CINEPHILE



W signifies a follower of water.

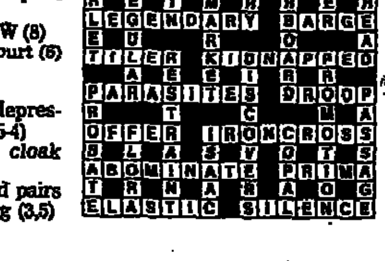
ACROSS

1 Provide W without stiffness (6)
4 Wait very briefly for cash: leaf must be turned (4,1,3)
10 Certificate of tactfulness? (7)
11 Radical series for underground spread of plant (4,3)
12 W (if plural) will do the trick (4)
13 W W: time's up! (5,5)
15 It's cowardly to make a loud cry of pain (6)
16 Prize part of golf course with access to underground W W (7)
20 Turn tap and pour what's of adequate quality (2,2,3)
21 W's a note in a catcall (6)
24 Sun's empire produces pollution (10)
26 W in basic essentials (4)
28 I walk over with James to a Pacific island (3,4)
29 A blood, I may be top in game (7)
30 Pole more commonly W (8)
31 W to be defeated in court (6)

DOWN

1 W W obliquely (6)
2 Parcel wrapped in depression needs fastener (5-4)
3 W (if singular) for cloak rooms (4)
5 Sound of doves in odd pairs wanting help in flying (3,5)
6 W W sort of drive (5-5)
7 W was dramatically tamed (5)
8 Singer of the isles? (6)
9 List of W (5)
14 W W, boundary in apartheid (6,4)
17 It's absurd to give us our opening from El Cid (9)
18 Principal entrance for W W (4,4)
19 Throws to form 8 out of 10, for example (3,5)
22 Long Island is situated by W (6)
23 A team's obiter dictum (5)
25 Player of W: it shows (5)
27 W following summer (4)

Solution to Puzzle No.7,584



WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

JAPAN

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWEDEN (continued)

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

3:00 pm prices July 3

Quotations in cents unless marked $

[illegible]

4500	Canamax	40	38	38	−1
5000	Cantor	$27½	27⅜	27½	−⅛
1100	CnPcForest	$33⅛	33	33	
100	Cara Op	u$19¾	19¾	19⅜	
9300	Carena Dev	$13⅝	13½	13⅝	
3800	Cascades	490	490	490	
4000	Celanese	u$38	38	38	
500	Cntrl Cap	450	450	450	−15
11500	Cinepx Odn	$5¾	5½	5½	−⅛
21600	Jannock	$16	15¾	16	−⅛
200	KerrAddis	$17¼	17¼	17¼	+¼
35200	Labatt x	$23¾	23⅝	23⅝	−⅛
428800	Lac Minls	u$10¼	10	10⅛	+¼
900	Lafarge	$15⅝	15⅝	15⅝	
116700	Laidlaw A	$11¾	11½	11½	−¼
241700	Laidlaw B	$11⅝	11⅜	11½	−¼
7400	Royrock	$8¼	8⅛	8⅛	
1000	Reed Sten	$26	26	26	
100	Reitman S	$16	16	17	
29700	Ren'ssance	$14⅞	14½	14½	−½
3800	Repap Ent	$7½	7¼	7¼	−¼
4000	Rio Algom	$15½	d15	15¼	−¼
700	Rogers A	$11⅝	11¼	11⅝	
200	Rothmans	$59½	59½	59½	−¼
95300	RoyalBkCan	$24	23⅞	23⅞	−⅛

† - No voting rights or restricted voting rights

MONTREAL

3:00 pm prices July 3

10000	Maclean Hunt	$10⅞	10⅞	10⅞	
4000	Memotec	$9⅜	9¼	9¼	
39700	Natl Bk Can	$10⅞	10¾	10¾	−⅛
10100	Provigo	$11⅝	11½	11⅝	
1100	Quebecor A	$17⅝	17⅝	17⅝	−⅛
37600	Videotron	$14⅝	14¼	14¼	−⅛

Total Sales 10,833,500 shares

INDICES

NEW YORK

DOW JONES	July 2	July 1	June 28	June 27	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2972.72	2958.41	2906.75	2934.93	3035.33 (3/6)	2470.30 (9/1)	3035.33 (3/6/91)	41.22 (2/7/32)
Home Bonds	94.37	94.49	94.21	94.24	95.09 (30/5)	91.30 (16/1)	95.51 (9/2/87)	54.99 (1/10/81)
Transport	1179.65	1174.89	1151.45	1150.56	1241.89 (3/6)	894.30 (7/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	199.07	199.57	196.87	199.20	220.89 (16/4)	196.87 (28/6)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2987.03 (2971.15) Low 2939.62 (2911.67)

STANDARD AND POOR'S	July 2	July 1	June 28	June 27	1991 HIGH	1991 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	377.47	377.92	371.16	374.40	390.45 (17/4)	311.49 (9/1)	390.45 (17/4/91)	4.40 (1/6/32)
Industrials	450.17	450.37	442.06	446.38	463.23 (18/4)	364.90 (9/1)	463.23 (18/4/91)	3.62 (21/6/32)
Financial	29.23	29.38	28.98	29.20	31.58 (18/4)	21.96 (9/1)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	206.52	206.67	203.47	204.94	213.21 (17/4)	170.97 (9/1)	213.21 (17/4/91)	4.46 (25/4/42)
Amex Mkt. Value	360.35	360.66	358.12	359.43	373.40 (18/4)	296.72 (14/1)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	478.78	481.31	475.92	476.24	511.31 (17/4)	355.75 (14/1)	511.31 (17/4/91)	54.87 (31/10/72)

	June 28	June 21	June 14	year ago (approx.)
Dow Industrial Div. Yield	3.16	3.07	3.03	3.74

	Jun 26	Jun 19	Jun 12	year ago (approx.)
S & P Industrial div. yield	2.83	2.80	2.79	2.96
S & P Indl. P/E ratio	18.68	18.85	18.91	16.95

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Pepsico	2,323,500	29⅝	+ ½
Am T & T	2,175,300	39¼	+ ⅝
RJR Nabisco	2,138,000	10⅝	- ⅛
Tenneco	1,901,400	35½	- 4⅞
MFS Interm	1,557,700	7⅞	+ ⅛
Telefonos	1,380,500	26¼	+ ⅛
Philip Morris	1,345,900	65½	+ ⅜
McDermott	1,248,900	18⅜	+ ⅜
Pfizer	1,245,300	56⅛	+ ⅛
Exxon	1,225,500	58⅛	- 1⅛

TRADING ACTIVITY

† Volume (Millions)	July 2	July 1	June 28
New York SE	157.140	166.880	162.670
Amex	10.075	11.150	12.721
NASDAQ	136.540	121.950	160.333
NYSE			
Issues Traded	2,054	2,061	2,058
Rises	773	1,166	660
Falls	760	451	915
Unchanged	521	444	483
New Highs	41	41	19
New Lows	22	11	32

CANADA

TORONTO	July 2	July 1	June 28	June 27	1991 HIGH	1991 LOW
Metals & Minerals	3184.00	(c)	3175.24	3181.67	3284.18 (5/3)	2632.06 (9/1)
Composite	3493.62	(c)	3465.82	3474.61	3582.07 (7/6)	3161.95 (15/1)
MONTREAL Portfolio	1851.13	(c)	1835.23	1844.53	1903.86 (7/6)	1686.89 (9/1)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. † Corrected figure.

	July 3	July 2	July 1	June 28	1991 HIGH	1991 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1528.7	1543.2	1522.0	1506.2	1558.3 (29/4)	1204.5 (16/1)
All Mining (1/1/80)	665.3	672.2	664.3	656.6	680.1 (29/4)	561.6 (16/1)
AUSTRIA						
Credit Aktien (30/12/84)	469.90	485.51	(u)	480.77	534.81 (16/4)	390.84 (15/1)
BELGIUM						
BEL20 (1/1/91)	1152.60	1158.40	1160.28	1162.54	1212.15 (17/4)	917.59 (17/1)
DENMARK						
Copenhagen SE (3/1/83)	369.57	369.48	367.37	367.38	369.48 (2/7)	302.26 (8/1)
FINLAND						
HEX General (28/12/90)	950.7	955.5	968.5	974.9	1166.9 (8/4)	890.5 (23/1)
FRANCE						
CAC General (31/12/82)	462.47	468.56	468.07	470.77	494.95 (12/6)	394.38 (15/1)
CAC 40 (31/12/87)	1718.02	1750.47	1772.81	1747.62	1974.81 (11/6)	1425.25 (15/1)
GERMANY						
FAZ Aktien (31/12/58)	677.36	675.95	683.54	682.47	717.43 (17/6)	570.48 (15/1)
Commerzbank (1/12/53)	1910.3	1905.6	1927.8	1923.2	2035.2 (31/5)	1612.5 (15/1)
DAX (30/12/87)	1614.41	1610.50	1625.20	1622.18	1715.80 (11/6)	1311.82 (16/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3796.57	3772.91	3738.65	3668.64	3917.09 (20/5)	2984.01 (16/1)
IRELAND						
ISEQ Overall (4/1/88)	1360.95	1369.50	1363.76	1365.00	1520.65 (15/3)	1114.86 (25/1)
ITALY						
Banca Com. Ital. (1972)	568.67	578.45	583.40	586.21	619.38 (3/6)	486.26 (29/1)
JAPAN						
Nikkei (16/5/49)	23373.47	23995.76	24108.76	23290.96	27146.91 (18/3)	22442.70 (16/1)
Tokyo SE (Topix) (4/1/68)	1820.65	1866.12	1858.12	1819.01	2028.85 (18/3)	1625.00 (17/1)
2nd Section (4/1/68)	3221.72	3271.53	3269.33	3237.17	3423.45 (10/5)	2473.52 (24/1)
MALAYSIA						
KLSE Composite (4/4/86)	608.22	613.50	615.69	618.69	635.02 (29/5)	470.41 (16/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	276.6	279.7	278.2	277.2	294.8 (5/6)	221.4 (16/1)
CBS All Shr (End 1983)	197.1	199.3	198.2	197.5	203.1 (5/6)	162.3 (16/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	753.26	756.53	759.00	755.75	792.13 (4/6)	610.45 (21/1)
PHILIPPINES						
Manila Comp (2/1/85)	1074.16	1061.98	1053.45	1054.25	1183.48 (29/5)	582.64 (15/1)
SINGAPORE						
SES All-Singapore (2/4/75)	398.88	404.07	402.57	402.15	422.43 (26/4)	315.07 (16/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1445.0&	1411.0	1400.0	1374.0	1445.0 (3/7)	971.0 (25/2)
JSE Industrial (28/9/78)	3860.0&	3828.0	3804.0	3817.0	3911.0 (20/6)	2829.0 (16/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	602.83	611.65	616.50	662.60	697.62 (4/1)	590.57 (22/6)
SPAIN						
Madrid SE (30/12/85)	271.72	275.96	274.50	276.99	289.22 (16/3)	213.70 (14/1)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1133.3	1135.5	1120.7	1120.9	1137.8 (19/6)	808.4 (8/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	745.1	749.0	745.2	740.9	766.1 (31/5)	590.4 (14/1)
SBC General (1/4/87)	618.8	622.2	618.1	615.0	638.0 (31/5)	487.1 (14/1)
TAIWAN**						
Weighted Price (30/6/66)	5604.69	5613.10	5768.08	5900.70	6305.22 (9/5)	3316.26 (15/1)
THAILAND						
Bangkok SET (30/4/75)	723.01	739.54	(c)	765.21	908.13 (19/4)	582.48 (16/1)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	484.3*	490.4	492.3	484.8	529.2 (17/4)	439.1 (16/1)

**Saturday June 22: Taiwan Weighted Price 6132.73 Korea Comp Ex. 590.57.
& Subject to official recalculation. *Calculated at 15.00 GMT.
Base values of all Indices are 100 except. BEL20, HEX General, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday 3 July 1991

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Kitano Cons.	7.6m	1,980	-30	Nippon Steel	4.0m	410	-9
Chiyoda	6.0m	1,870	-90	Hitachi	3.9m	1,140	-20
Akai Electric	5.7m	1,150	-110	Hitachi Zosen	3.2m	620	-30
Mitsubishi Heavy	5.1m	708	-19	Matsushita	3.1m	1,630	-60
Mitsumi Electric	4.2m	1,680	-60	Marubeni	3.1m	552	-20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

3:15 pm prices July 3

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	9¼	AAR Corp	0.48	0.03	15	277	15⅛	14⅝	14⅝	-⅝
18¾	14½	A L Labs A	0.16	0.01	17	87	16⅜	16	16	-⅜
55½	40⅞	AMP Inc	1.44	0.03	19	865	51⅛	50⅝	50⅝	-½
68⅝	44¼	AMR				194245	64⅜	61⅞	63⅞	+2
2⅝	1¼	ARX			1	91	1½	1⅜	1½	-⅛
63½	41½	ASA	3.60	0.06		151286	u53⅝	52¼	53⅛	+1½
54	39⅞	Abbott Lab	1.00	0.02		222734	53	52¼	52¼	-1
14½	9⅞	Abitibi Pr	0.50	0.04	26	5	13⅝	13⅝	13⅝	
11⅝	10⅜	ACM Gvt In	1.26	0.11		1128	11⅛	11	11⅛	
9¾	8¼	ACM GvOpp	1.01	0.11		148	9¼	9⅛	9¼	+⅛
9¼	8⅛	ACM Gvt Sp x	1.01	0.11		264	9⅛	9	9	-⅛
11	9⅞	ACM Gvt Se x	1.26	0.12		677	10⅜	10⅛	10⅜	
8⅝	7⅝	ACM Man	1.01	0.12		130	8¼	8⅛	8¼	+⅛
12⅞	11½	ACM Managd	1.37	0.11		676	12¼	12⅛	12¼	
7½	4¾	Acme Cleve	0.40	0.07	14	294	6¼	6	6	-⅛
6	3½	Acme Elect			41	24	4⅛	4	4⅛	
40	22¾	Acuson				223232	30⅞	29¼	30⅛	+⅛
18½	14¼	Adams Expr	0.73	0.04	0	33	17⅞	17¾	17¾	-⅛
20⅛	18	Adobe12Pf	2.40	0.13		15	19	18⅞	18⅞	
9¼	6¾	Adobe Res			20	386	7⅛	7	7	
38⅜	18	Ad Micro				272	34½	34¼	34¼	-½
14¼	4⅝	Ad Micro P	3.00	0.26		127200	11⅝	11⅜	11⅜	-⅝
5⅛	2¼	Advest Grp	0.16	0.04	5	14	4⅜	4⅜	4⅜	
49⅛	33⅞	Aetna LI	2.76	0.07	7	666	42	41⅛	41⅛	-⅞
10⅝	6⅝	Affil A	0.24	0.03	35	260	9¼	8⅞	8⅞	-⅛
20¼	12	Ahmanson	0.88	0.05		91336	17⅛	16⅞	17	-⅛
11¼	2⅞	Aileen Inc			18	821	u12¼	11	12¼	+1
74¾	51⅜	Air Pr Chm x	1.44	0.02	15	414	69½	68½	68½	-1¼
26⅝	16⅝	Airbne Frt	0.30	0.01	15	606	24⅞	24⅝	24⅝	-⅛
18⅞	12½	Airgas Inc			69	22	14⅝	14½	14½	-⅛
[illegible]										

1991 High	Low	Stock	Div.	Yld.	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
40	36⅝	Brinkerind	[illegible]							
64¾	51¼	Bristol M x	[illegible]							
33¾	24½	Brit Airwy	[illegible]							
49⅞	39	Brit Gas	[illegible]							
77½	64⅜	BP ADR	[illegible]							
32⅞	25⅝	BP Prudhoe	[illegible]							
8⅜	3⅝	BP Wts93	[illegible]							
27⅝	19⅞	Brit Steel	[illegible]							
68	51¼	Brit Tel	[illegible]							
12⅝	4⅜	Broad Inc	[illegible]							
30⅛	27½	BrkInPld	[illegible]							
29⅝	27	Brooklyn U x	[illegible]							
84½	78	BrwnFormnB	[illegible]							
28	21⅝	Brown Grp	[illegible]							
12⅝	8¾	Brown&Shrp	[illegible]							
30¾	20⅜	Browning F	[illegible]							
4⅜	2¼	BRT	[illegible]							
16⅜	8⅝	Brunswick	[illegible]							
20	14⅛	Brush Well	[illegible]							
27½	23⅝	Buckeye Pt	[illegible]							
15⅞	13	Bunker Hll x	[illegible]							
13⅜	10¼	Burger K I	[illegible]							
15⅛	8⅜	Burl Coat	[illegible]							
36¾	28¼	Burl North	[illegible]							
41⅛	32⅞	Burln Resc	[illegible]							
16	11¼	Burnham Fc	[illegible]							
2⅞	¼	Businessln	[illegible]							

[illegible]

NYSE C

AMEX

Continued on next page

NYSE COMPOSITE PRICES

Continued from previous page

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15 1/4	11 1/2	SCOR US Co	0.24	0.02	7	81	12 1/2	12 1/4	12 1/4	-1/8
37	20 3/4	SPS Techno	1.28	0.04	15	37	29 1/4	28 1/4	28 1/4	-3/4
2 1/4	7/8	SaatchiAS			0	436	1	1	1	
13	11	Sabine Rlt	1.64	0.13	7	43	12 5/8	12 3/8	12 3/8	-1/8
9 7/8	5 7/8	Safecard	0.15	0.02	6	673	8 5/8	8 1/2	8 1/2	
13 3/8	8 5/8	Safeg'd Sc			9	4	12 1/2	12 1/2	12 1/2	+1/8
37	25	SafetyKln	0.32	0.01	28	2491	30 5/8	29 1/2	29 5/8	-1 1/8
21 3/8	11 7/8	Safeway			18	221	18 3/4	18 3/8	18 1/2	-1/4
4 3/8	2 1/8	SafewayW96				126	4 1/8	4	4	-1/8
35 7/8	26 7/8	StJoePaper	0.20	0.01	52	494	33 7/8	33 5/8	33 5/8	-1/2
32	26 3/4	StJoeL&P	1.58	0.06	10	13	28 3/4	28 5/8	28 5/8	
4 1/4	1 1/2	Salant Crp			8	76	2 5/8	2 1/2	2 5/8	
55 1/4	43 7/8	Sallie Mae	0.80	0.02	18	1366	52 7/8	52 1/4	52 1/2	-1/8
13 1/4	10 7/8	Salomon Br	0.60	0.05		596	13	12 7/8	12 7/8	-1/8
36	22 1/4	Salomonlnc	0.64	0.02	7	5118	32 7/8	32 1/4	32 1/4	-1/2
45 7/8	37 1/4	SanDgo G&E	2.70	0.07	10	332	37 1/2	d37 1/4	37 1/4	-1/4
4 3/8	2 7/8	SantaFeEDs x	0.60	0.16	15	14	3 1/4	3 1/8	3 1/4	
10 3/4	12 1/2	SantaFeEn x	0.16	0.01	41	275	12 7/8	d12 3/8	12 1/2	
30 1/8	25	SantaFePac	2.68	0.09	8	163	29 1/8	29	29	-1/4
9 7/8	5 1/4	SantaFeSth			26	1385	9 1/8	9	9	-1/8
41 5/8	29 7/8	Sara Lee	0.84	0.02	19	4842	41 3/8	40 7/8	41	-1/4
1/4	1/8	Savin Corp			1	373	0.11	1/8	0.11	
7 7/8	1 7/8	Savin 0.60	0.48	0.15		52	3 1/4	3 1/4	3 1/4	-1/8
38	33 1/2	Scana Corp	2.62	0.07	8	82	37 1/2	37 1/8	37 3/8	
40	36	Scecorp x	2.64	0.07	11	2276	39 3/4	39 5/8	39 5/8	-1/8
54	40 7/8	ScheringPl	1.32	0.02	19	3301	51 1/4	51	51 1/4	-1/4
65	50 1/2	Sch'berger	1.20	0.02	23	3774	57 1/4	56 1/4	56 7/8	-1 1/8
26	11 1/8	Schwab(C)	0.16	0.01	29	289	25 1/4	25	25 1/8	-1/4
8 7/8	3 1/4	Schwitzer			14	71	7 3/4	7 1/2	7 5/8	+1/8
17 7/8	11 1/2	ScientAtln	0.16	0.01	14	702	14 1/4	13 7/8	14	-1/8
9 5/8	6 1/4	Scotsman x	0.10	0.01	7	33	7 1/2	7 1/8	7 1/8	
46 5/8	35 7/8	ScottPaper	0.80	0.02	26	479	41 7/8	41 1/4	41 3/8	-1/2
16 1/4	11 7/8	ScuddrNAsF	0.58	0.04		62	14 1/2	14 1/2	14 1/2	-1/8
10 1/8	8	ScuddrNEuF				137	8 1/4	8	8 1/4	

- X - Y - Z -

1991 High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
60 1/8	35 1/4	Xerox	3.00	0.06		9224	54 1/4	53 1/2	53 5/8	-7/8
51	43 1/4	Xerox4.125				22	48 1/2	47 1/2	47 1/4	-1 1/4
21 1/4	14 1/8	Xtra 1.94				58	20 1/4	20 1/2	20 1/2	
24 7/8	14 1/4	Xtra Corp	0.72	0.03	28	8	23 1/2	23 5/8	23 1/2	-1/8
24 1/4	21 1/4	Yankee Egy	1.60	0.07	12	29	22 7/8	22 1/4	22 7/8	
1 1/2	1/8	Zapata			0	68	1/2	1/2	1/2	
9 7/8	6 1/4	ZenithElec			2	83	7	6 7/8	6 7/8	-1/4
18 1/2	12	Zenith Nat	1.00	0.06	70	14	16 7/8	16 7/8	16 7/8	
6 1/4	4 1/2	Zenix Inc	0.99	0.16		207	u6 1/8	5 7/8	6	
16 1/4	10 7/8	Zero Corp	0.40	0.03	14	19	13 5/8	13 1/2	13 5/8	-1/8
41 5/8	29 1/2	Zurn Ind	0.88	0.02	14	51	35 1/2	35 1/4	35 1/4	-1/4
13 1/2	10 1/4	Zweig Fund	1.12	0.09		118	12 3/4	12 5/8	12 5/8	
10	8 1/2	Zweig Tot x	0.96	0.10		268	u10	9 3/4	9 7/8	

Price data supplied by Telekurs.

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3:00 pm prices July 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pall Corp	0.44	28	1265	37 3/8	36 1/2	36 1/2	-7/8
Pegasus G		8	1346	13 1/2	13 1/4	13 1/2	+1/4
Perini		6	10	11 5/8	11 1/2	11 5/8	+1/8
Pet H&P	0.31	12	z100	10 1/2	10 1/2	10 1/2	
Phil LD	0.17	6	341	19 1/2	19 3/8	19 1/2	

NASDAQ NATIONAL MARKET

3:00 pm prices July 3

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		29	391	20 3/4	20	20 1/2	-1/4
XL Data		17	1983	8 1/4	7	8 1/4	+1
Xoma Corp		12	648	24 3/4	23 3/4	23 3/4	-1/2
Yellow Fr	0.94	14	340	30 7/8	30 1/8	30 1/8	-5/8
York Rsch		16	513	18	16 3/4	17	-1
ZionUtah x	1.44	8	39	40 3/4	39 1/2	40	-1/8

AMERICA

Sharp decline in Japan leads to wave of selling

Wall Street

A SHARP fall in Tokyo overnight led to a wave of early morning selling on US equity markets yesterday, *writes Patrick Harverson in New York.*

By 1 pm the Dow Jones Industrial Average was down 30.19 at 2,942.53. The more broadly based Standard & Poor's 500 was also notably weaker, dropping 3.30 to 374.17, while the Nasdaq composite of over-the-counter issues gave up 3.37 at 475.41. Turnover was low at 86m shares, with declines outpacing rises by 1,040 to 387.

Prices dropped from the opening bell as dealers and investors reacted badly to news of another big fall in Japanese share prices. Although the 2.6 per cent drop in the Nikkei average was prompted by domestic troubles, New York fears that lower Tokyo stock values will lead to a further repatriation of Japanese money from the US, exacerbating the credit crunch. Sentiment was also undermined by an unexpected fall in new home sales in May.

One of the biggest stories yesterday was in the over-the-counter market, where Microsoft plunged $4⅞ to $63¼ on turnover of 2.5m shares. The stock fell after IBM and Apple formally announced a joint venture company to develop system software that will be available for both companies' personal computers. The venture is seen as a major threat to Microsoft, which has long been a supplier of key software for IBM technology.

News of the alliance lifted Apple $1⅛ to $43⅜. IBM slipped $⅝ to $98⅛, but this was a good performance considering the sharply weaker wider market. Another big technology stock, Intel, was again the session's most actively traded issue. After declining sharply on Tuesday in the wake of brokers' downgrades, Intel rebounded $⅝ to $43¼ on turnover of more than 3m shares.

Another stock to buck the trend was American Airlines, which jumped $2¼ to $64⅛. The US carrier, regarded as the most financially sound in a troubled industry, was probably benefiting from demand linked to its new transatlantic service between London and the US, which was launched on Tuesday.

Security Pacific shed $1 to $21⅜ in brisk trading after announcing that a $371m provision for loan losses taken in the second quarter would limit earnings for the period to just 33 cents a share, against $1.59 earned at the same stage last year. Bank of America, another Californian bank, fell in sympathy, dropping $1⅞ to $33⅝ on turnover of 1.6m shares.

Canada

TORONTO reversed Tuesday's gains to edge lower by midday. The composite index fell 15.30 to 3,478.40 on turnover of 12.7m shares. Declines led advances by 233 to 142 with 206 unchanged. The gold and silver index, up 56.52 at 5,514.61 on strong bullion prices, was the only sector to rise

Petro-Canada was the most heavily traded stock, with 1.4m shares changing hands. It was off C$⅛ at C$12⅞. American Barrick was up C$¼ at C$26½ on almost 510,000 shares and Canadian Pacific dropped C$⅝ to C$18⅞ on 503,000 shares.

Franco-Nevada Mining Corp rose C$¾ to C$20¼, Hudson's Bay Co gained C$⅝ to C$36⅛ and Cambior Inc firmed C$⅝ to C$10⅞.

ASIA PACIFIC

Nikkei drops 2.6 per cent on scandal fears

Tokyo

SHARE prices fell 2.6 per cent in thin trading yesterday, as fresh rumours of stock-related scandals swept through an already jittery market, *writes Emiko Terazono in Tokyo.*

The Nikkei average dropped 622.29 to 23,373.47, after a day's high of 23,924.30 at the opening and a low of 23,343.56 in the afternoon. Volume shrank to 260m shares from 320m, and falls overwhelmed rises by 977 to 86, with 46 issues unchanged.

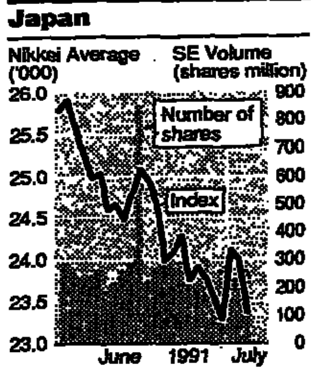
The Topix index of all first section stocks lost 45.47 to 1,820.65, and in London the ISE/Nikkei 50 index shed 16.20 to 1,363.71. The second section fell 49.81 to 3,221.72.

Concern that a television programme aired on Wednesday night would reveal further brokerage connections with crime syndicates, and rumours of possible arrests, prompted selling in the afternoon. In addition, traders said investment trusts sold to meet cancellations of trust funds.

Mr Shin Tokoi at County NatWest said many investors felt that there were more scandals to come, but added that while domestic investors were refraining from activity, foreign investors were potential bargain hunters.

Mr Nick Cant at Baring Securities said foreigners, who were looking at fundamentals such as an imminent recovery in the US economy, sought export-oriented stocks.

Japan



Source: Datastream

Prices fell on broad-based selling, with all sectors declining. Broker issues suffered the largest losses, the sector weakening 4.7 per cent, and Nomura Securities shed Y90 to Y1,650.

Large-capital stocks were depressed, with Mitsubishi Heavy down Y19 to Y708 and Nippon Steel Y9 to Y410. Akai Electric saw heavy selling and fell Y110 to Y1,150. The Tokyo Stock Exchange recently put the stock on its watch list for speculative trading.

Matsushita retreated Y60 to Y1,630. Traders detected selling from the Middle East.

Marubeni, the trading company, slipped Y20 to Y552. The arrest of four businessmen, including a former Marubeni official, on charges of defrauding two companies with fictitious steel transactions triggered substantial selling.

Victor of Japan, the audio maker, was one of the day's few bright spots, adding Y70 at Y1,640 on reports that it would link up with Sega Enterprises, the video game maker, to develop game equipment. Sega dipped Y400 to Y13,000 on encountering profit-taking.

Arbitrage-related positions for last week were announced yesterday, with arbitrage buying totalling 37.3m shares worth Y42.7bn. Trading by Morgan Stanley accounted for 38.6 per cent of total arbitrage-related transactions.

In Osaka, the OSE average plunged 671.67 to 26,265.18 on volume of 14.8m shares.

Roundup

TOKYO'S weakness depressed many of the Pacific Basin markets yesterday. Hong Kong was a notable exception.

SINGAPORE fell 1.7 per cent on heavy selling. The Straits Times Industrial index closed 25.4 lower at 1,486.73. Volume rose to S$108m from S$88m. Rumours that the Kuwait Investment Office was dumping shares in Tokyo depressed local prices. The KIO has substantial holdings in several listed Singapore companies, including Singapore Petroleum Company and Cycle & Carriage. In **KUALA LUMPUR**, the composite index lost 5.28 to 608.22. Turnover eased to 36.3m shares from 39.7m.

HONG KONG extended its winning streak to a fourth consecutive session. The Hang Seng index climbed 23.66 to 3,796.57, although turnover contracted to HK$1.68bn from Tuesday's heavy HK$1.99bn.

The market overcame mid-session softness thanks to the July index futures' unusually large premium of 112 points over the cash index.

BANGKOK plunged further as investors were disheartened by unfavourable economic figures. The SET index fell 16.53 to 723.01 on thin turnover of 2.3bn baht. In the past two days, the index has slumped by 5.5 per cent.

The Bank of Thailand's report on the economy for the first five months of this year showed widening current account and trade deficits compared to the same period last year.

SEOUL fell again. The composite index closed at 602.83, down 8.82, after active volume of Won148.5bn. Rumours that Anam Precision, a camera maker, was close to bankruptcy continued to unsettle the market. The Stock Exchange suspended Anam's shares and the company denied the rumours.

AUSTRALIA pulled back after two days of rises. The All Ordinaries index slipped 14.4 to 1,528.7. Turnover dropped to A$193.6m from A$314m.

Coal & Allied ended steady at A$8.90. The Stock Exchange made an official inquiry into a recent fluctuation in the share price from A$8.56 on June 28 to A$8.90 on July 2. The company said it was not about to announce any matters of importance.

MANILA was propped up by the mining sector, which has been neglected in the past three months. The composite index improved 12.18 to 1,074.16 amid volume of 130.6m pesos, after 86.9m. The mining index soared 229.87 or 9.8 per cent to 2,564.04.

NEW ZEALAND paused after Tuesday's 3.7 per cent rally, although a weaker domestic dollar encouraged moderate foreign buying which pushed turnover up to NZ$22.5m from NZ$16.7m. The Barclays index receded 6.13 to 1,467.86.

TAIWAN attempted to recover after Tuesday's drop but heavy selling in the banking sector reversed an early gain. The weighted index lost 8.41 to 5,604.69 as volume fell from T$30.3bn to T$21.8bn, the lowest in nearly six months.

BOMBAY was led higher by export-oriented companies after India devalued the rupee for the second time in three days. The rupee was revised down by 10.96 per cent against the dollar, taking the total depreciation since Monday to 18.74 per cent. The BSE index advanced 19.20 to 1,312.87.

EUROPE

Continent stays depressed about international events

FALLS on Wall Street and in Tokyo, economic gloom, and the unrest in Yugoslavia were seized upon as excuses to sell continental shares yesterday. Only Frankfurt, which closes before New York opens, showed some resilience, *writes Our Markets Staff.*

PARIS was depressed by the weakness of international markets, by the previous day's negative comments on the French economy and interest rates by the chief economist at Paribas, and by events in Yugoslavia.

The CAC 40 index fell another 1.9 per cent after Tuesday's 1.3 per cent decline, closing 32.45 lower at 1,718.02, its worst level since late February. Turnover was moderate, but better than Tuesday's FFr2bn.

One trader said that the market's pessimism was so widespread that a recovery must be in the offing, although probably not until after the Bundesbank goes on holiday next week. If the German central bank failed to raise interest rates, prospects of a French rate cut were likely to trigger a stock market rally, he said.

Selling focused on the more liquid stocks. Elf Aquitaine was down FFr10.80 or 3 per cent at FFr346 on volume of 322,700 shares, Alcatel Alsthom was off FFr13 at FFr547 and Peugeot shed FFr13 to FFr562. Générale des Eaux was the most active stock, falling in line with the market to close FFr46 lower at FFr2,392.

MILAN managed to come off the day's lows on short-covering at the close of a weak session. However, the market was regarded as still vulnerable, as foreign and domestic investors lost patience with the government's delay in resolving its deficit problems. Furthermore, inflation was creeping back up, forcing interest rates higher.

"Italy's image has deteriorated in the last eight to 10 months and Moody's downgrading [of the country's foreign debt rating] was the final straw," one dealer said.

Another blow for the stock market was the release of June mutual funds data, which showed that equity funds and mixed funds both experienced net outflows. An aggregate net inflow of L814bn, the highest level in more than four years, was due to the fixed-income mutual funds.

The Comit index fell 9.78 or 1.7 per cent to 568.67 in volume estimated at between L130bn and L140bn, after Tuesday's L114bn. Dealers said many sell orders remained unexecuted because of the reluctance of professionals to take on the stock and the lack of buying interest.

The market took a sharp downturn when Fiat plunged L214 or 3.5 per cent to L5,987, before it rebounded after hours to L6,030.

The telecommunications sector, one of the few areas which had been popular with foreign investors, suffered after state shareholder IRI's poor international roadshow on Stet recently. There were fears that foreigners would sell their holdings rather than take up their entitlement of the savings share offer, which is due to be priced next week.

Stet eased L38 to L2,011 while Sip, which has approval for further capital increases over the next four years, fell L13 to L1,103.

FRANKFURT saw some strength in construction stocks, after a strong progress report from Hochtief earlier this week, and in steels. The DAX index closed 3.91 higher at 1,614.41 after a 1.40 rise to 677.35 in the FAZ at midsession. Volume rose from DM6bn to DM6.2bn.

The sector moves were questioned later by Mr Michael Geiger of County NatWest, who said that constructions were likely to suffer from the 89 per cent drop in 1990 group net profits reported by Philipp Holzmann after market hours. Holzmann trailed the sector yesterday with a rise of just DM3 to DM1,435.

Steels were led up by Hoesch, DM6.50 better at DM259.50. Mr Geiger suspected stakebuilding; the company, unusually, is valued at a discount to net assets. On steels in general he said that buying for a 1992 recovery seemed a high-risk strategy.

MADRID followed other bourses down, but ended above its day's low. The general index shed 3.06 or 1.1 per cent to 272.50 in turnover of about Pta11bn, down from Pta12bn.

Construction stocks moved sharply lower. Uralita fell Pta70 to Pta1,840 and Asland, the cement producer, lost Pta105 to Pta3,065. Banks were also weak, with Banco Santander down Pta120 at Pta5,060

AMSTERDAM closed near the day's lows after a lifeless session. The market lacked retail interest and was depressed by a lower Wall Street towards the end. The CBS Tendency index fell 0.8 to 92.4.

VIENNA continued to be concerned about its Yugoslav neighbour. The bourse index fell 16.48 or 3 per cent to 527.34.

FT-SE Eurotrack 100 - Jul 3

Hourly changes

Open	10 am	11 am	Noon	1 pm	2 pm	3 pm	Close
1100.63	1100.12	1101.09	1102.72	1102.41	1100.71	1095.43	1095.64

Day's High 1103.17 · Day's Low 1094.73

Jul 2	Jul 1	Jun 28	Jun 27	Jun 26
1109.86	1112.76	1106.47	1116.92	1114.79

Base value 1000 (26/10/90)

SOUTH AFRICA

THE RESILIENCE of bullion prices in the face of the dollar's strength buoyed up gold shares. The Johannesburg all-gold index jumped 34 to 1,445 and the industrial index added 32 to 3,860. The all-share index advanced 39 to 3,377.

Law and order flaw in Pakistani equation

Farhan Bokhari in Islamabad looks at record highs on the Karachi Stock Exchange

IN SPITE of a worsening law and order situation which could easily jeopardise government plans for privatisation, Pakistan's leading stock market continues to record some of the largest gains in its history.

Yesterday, the Karachi Stock Exchange (KSE) index closed at an all-time high of 1,913 in volume similar to the 3.03m shares traded on Tuesday, when the index reached a record 1,901. This compares with a level of 1,707 on April 23, when turnover peaked at 8.26m shares on the prospect of increasing foreign investment in Pakistani equities, and 1,584 on January 2. The market's advance so far this year has been 20.7 per cent.

The record highs have surprised many investors. On Monday, Mr Nawaz Sharif, the prime minister, postponed an important visit to Japan because of the growing lawlessness at home. Recent gains in equities have been linked to policies of privatisation, and lessening of regulatory controls. A further surge followed last month's flotation in Hong Kong of a Citicorp mutual fund for investment in Pakistan. Reforms allowing all Pakistanis to open foreign currency accounts in local banks, together with tax holidays for a number of businesses, have added to market confidence.

The KSE has also seen the beginnings of a campaign on dividends. According to government estimates, only 248 of its 487 listed companies declared dividends last year. Mr Mumtaz Rafee, a Pakistani businessman and a shareholder in a KSE listed company, has demanded tighter regulations to force companies to declare dividends out of their profits, as a first step towards increasing confidence.

Government officials and western economists concede privately that, in spite of the KSE's performance, some reforms at the stock exchange have become necessary in order to encourage new investors. A senior western economist in Islamabad says: "The stock market has to become a major source of funding in this country. People who do not honour their commitments have to be dealt with."

However, with the government encouraging deregulation, some officials believe that such controls would send mixed signals. A senior finance ministry official says: "We are dealing with a very sensitive area. If we over-regulate, we will stifle the market."

The government says it does take steps to monitor the conduct of companies. Mr Mumtaz Abdullah, chairman of the Corporate Law Authority (CLA), the government's main regulatory body to administer corporate law, says that at least four KSE companies have been taken to court during the last year for non-payment of already declared dividends, in response to questions on Mr Rafee's allegations. But, he adds, the government cannot force companies to declare dividends. "Declaration of dividends is the domain of shareholders and directors."

In spite of the recent surge, there are reservations about the durability of the bull market. Not only has Mr Rafee attracted attention among businessmen and the press, but many local business people are sceptical about Pakistan's success in new economic policies, especially owing to political uncertainty caused by a growing crime problem.

A number of robberies and kidnappings in the southern province of Sindh have discouraged new investments in and around Karachi in the past three to five years, businessmen say. Recent incidents in the province of Punjab, where at least 20 people have been murdered by unknown assassins in the past week, have intensified the sense of insecurity.

"Confidence has been shaken during the past couple of weeks," says Mr Aftab Ahmed, a leading Karachi-based textile industrialist. The fact that Pakistan's democracy is less than three years old, following 11 years of military rule, also causes concern.

But the prime minister's brother and close confidant, Mr Shehbaz Sharif, who is also an elected MP, says: "The government is very clear. No meaningful investment will take place here unless the law and order problem is resolved. We have every determination to encourage foreign investment."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	TUESDAY JULY 2 1991								MONDAY JULY 1 1991					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1991 High	1991 Low	Year ago (approx)
Australia (70)	143.33	+1.1	132.65	125.71	136.71	124.69	+1.4	5.16	141.77	130.15	123.98	134.30	122.96	147.30	112.74	147.02
Austria (20)	173.17	−2.3	160.26	151.89	165.17	165.08	−1.2	1.65	177.28	162.74	155.04	167.93	167.00	222.37	167.00	262.69
Belgium (49)	124.48	−0.9	115.20	109.17	118.72	115.89	+0.2	5.09	125.61	115.31	109.84	118.98	115.70	151.20	121.73	152.95
Canada (115)	139.03	+0.5	128.67	121.93	132.59	115.12	+0.5	3.38	138.35	127.01	120.99	131.04	114.51	142.27	126.49	139.13
Denmark (37)	236.36	−0.1	218.74	207.31	225.43	227.68	+0.8	1.55	236.59	217.19	206.91	224.11	225.89	270.56	217.74	262.53
Finland (16)	90.10	−3.0	83.39	79.03	85.94	82.10	−1.8	2.94	92.93	85.31	81.28	88.03	83.64	125.15	90.10	135.57
France (114)	123.20	−1.5	114.02	108.05	117.50	120.11	−0.8	3.68	125.14	114.88	109.43	118.53	121.11	152.26	121.85	161.04
Germany (65)	102.03	−1.8	94.42	89.50	97.31	97.31	−1.7	2.30	103.87	95.36	90.85	98.39	98.39	125.35	102.03	138.65
Hong Kong (55)	156.63	+0.6	144.95	137.37	149.39	156.29	+0.7	4.96	155.64	142.88	136.11	147.44	155.17	161.77	119.62	139.35
Ireland (18)	141.69	−0.6	131.13	124.27	135.13	136.79	+0.3	3.73	142.55	130.86	124.66	135.03	136.40	182.46	132.86	191.55
Italy (77)	72.15	−1.6	66.78	63.28	68.81	73.45	−1.0	3.19	73.36	67.34	64.15	69.48	74.19	88.23	72.05	106.56
Japan (474)	131.04	−0.4	121.27	114.93	124.99	114.93	−0.1	0.73	131.56	120.77	115.05	124.64	115.05	146.97	118.35	150.82
Malaysia (68)	231.23	−0.5	214.00	202.80	220.53	248.64	−0.4	2.64	232.47	213.41	203.30	220.20	249.71	247.78	192.83	231.81
Mexico (18)	998.55	+2.0	924.12	875.79	952.37	3292.22	+2.0	1.63	979.40	899.10	856.52	927.74	3229.07	1079.72	534.45	497.50
Netherland (31)	131.34	−0.2	121.55	115.19	125.27	123.84	+0.5	4.33	131.58	120.79	115.07	124.64	123.17	145.73	125.70	142.61
New Zealand (13)	48.48	+3.3	44.86	42.52	46.24	45.19	+4.1	7.77	46.93	43.08	41.04	44.45	43.41	54.64	41.18	66.34
Norway (32)	185.16	−1.0	171.36	162.40	176.60	179.57	−0.1	1.63	187.11	171.77	163.63	177.24	179.74	223.24	182.24	237.85
Singapore (38)	193.84	+0.4	179.40	170.01	184.88	158.02	+0.5	2.15	193.14	177.31	168.91	182.95	157.27	208.25	151.63	202.46
South Africa (61)	230.01	+1.1	212.87	201.73	219.37	166.76	+0.8	3.28	227.47	208.82	198.93	215.47	165.47	238.45	173.00	181.48
Spain (55)	143.74	−1.0	133.02	126.07	137.09	124.90	−0.3	4.28	145.25	133.34	127.03	137.59	125.39	171.12	131.51	175.82
Sweden (26)	185.39	−0.6	171.57	162.60	176.82	181.89	+0.5	2.44	186.42	171.13	163.03	176.59	180.90	204.12	146.60	232.74
Switzerland (58)	87.50	−0.4	80.98	76.75	83.46	85.71	+0.6	2.24	87.82	80.62	76.81	83.20	85.24	100.67	82.17	108.45
United Kingdom (240)	157.41	−0.2	145.68	138.04	150.11	145.67	+0.7	5.04	157.66	144.73	137.87	149.33	144.73	187.44	166.27	170.19
USA (526)	152.69	−0.1	141.31	133.93	145.64	152.69	−0.1	3.16	152.86	140.32	133.68	144.80	152.86	158.24	125.95	146.52
Europe (838)	127.77	−0.8	118.25	112.06	121.87	120.35	+0.0	3.96	128.76	118.20	112.60	121.97	120.33	151.52	125.50	153.43
Nordic (111)	176.96	−0.5	163.77	155.20	168.77	165.29	+0.5	1.97	177.83	163.25	155.52	168.45	164.47	200.81	155.55	214.73
Pacific Basin (718)	132.00	−0.3	122.18	115.77	125.90	116.29	+0.0	1.10	132.38	121.53	115.78	125.40	116.28	145.92	117.88	150.13
Euro – Pacific (1556)	130.66	−0.5	120.92	114.58	124.61	118.78	+0.0	2.21	131.28	120.52	114.80	124.35	118.78	147.66	121.29	151.87
North America (641)	151.76	−0.1	140.45	133.12	144.77	150.16	−0.1	3.18	151.87	139.42	132.83	143.89	150.27	157.04	125.91	145.04
Europe Ex. UK (598)	109.74	−1.2	101.56	96.27	104.69	105.58	−0.4	3.18	111.07	101.97	97.16	105.24	106.04	129.80	106.85	141.78
Pacific Ex. Japan (244)	141.31	+0.7	130.78	123.96	134.79	127.45	+0.9	4.57	140.29	128.79	122.71	132.90	126.28	145.66	111.40	141.02
World Ex. US (1748)	132.46	−0.4	122.59	116.19	126.34	119.94	+0.0	2.26	132.99	122.09	116.31	125.98	119.88	148.16	122.32	151.93
World Ex. UK (2034)	136.43	−0.3	126.26	119.66	130.13	128.58	−0.1	2.34	136.84	125.62	119.68	129.64	128.69	145.77	120.06	148.41
World Ex. So. Af. (2213)	137.70	−0.3	127.43	120.78	131.34	129.94	+0.0	2.59	138.12	126.80	120.80	130.85	129.96	148.66	122.92	148.32
World Ex. Japan (1800)	143.44	−0.2	132.75	125.82	136.83	138.50	+0.0	3.51	143.78	131.99	125.75	136.22	138.45	152.83	126.69	148.81
The World Index (2274)	138.29	−0.3	127.98	121.30	131.91	130.25	+0.0	2.60	138.69	127.32	121.30	131.39	130.27	149.01	123.28	148.52

Latest prices were unavailable for this edition.